ANNUAL FINANCIAL REPORT
TO THE COMMUNITY
FISCAL YEAR ENDED JUNE 30, 2015
To the Residents of Elk Grove

The Finance Department is proud to present you with the City’s Annual Financial Report to the Community for the fiscal year (FY) ended June 30, 2015. This report provides an overview of the City’s financial condition and a brief analysis of where the City revenues are derived and where those dollars are spent.

Most of the information in this report is drawn from the financial information appearing in the FY 2014-15 Comprehensive Annual Financial Report (CAFR). The CAFR is a more detailed and complete financial presentation prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was audited by the City’s independent auditors, receiving an unqualified (clean and fairly stated) opinion. While the financial data in this document is derived from GAAP data, the statistical, economic and demographic data are taken from various sources and are not GAAP-basis data.

We hope you will find this information to be interesting and informative. We welcome your comments and suggestions for future reports. Both the CAFR and this document are available for viewing at the local public libraries, City Hall and on the City’s website at http://www.elkgrovecity.org/city_hall/departments_divisions/finance/accounting/.

City Overview

In 1850, Elk Grove was established as a hotel and stagecoach stop. Located in the State of California 15 miles south of historic Sutter’s Fort in Sacramento, Elk Grove became a crossroads for business, entertainment, mail service and agriculture and acted as a home base for gold miners in nearby communities. After the early gold rush, a close-knit community evolved with a distinctly rural and western lifestyle. Today, the City of Elk Grove is a growing and active community.

The City of Elk Grove incorporated under California law on July 1, 2000, as a general-law city. The City operates under the City Council/Manager form of government. The City Council is a five member body with a Mayor and four Council Members. The elected mayor serves
a two-year term and is elected citywide (at-large) with the first mayoral election conducted November 6, 2012 and the elected Mayor sworn in December 2012. The four councilmember positions are also elected citywide (at-large) and each represent one of four council residency districts where the councilmember must reside within.

The City provides a variety of services to its residents which include public safety, animal control, highways and streets, public improvements, planning and zoning, code enforcement, building permits, transit, solid waste, drainage, and general administration.

The region has continued to improve economically over the last year. Elk Grove has experienced improvement from a 5% unemployment rate in 2014 to a 4.5% unemployment rate in 2015.

The City realizes that development fuels job growth and the City is strategically planning for business market growth for the future. The South East Policy Area (SEPA) is the last large-scale development area within the urbanized portion of Elk Grove. It is approximately 1,200 acres in size. The City adopted in 2014, after two years of public outreach, research, and plan development, a Community Plan that emphasizes employment-oriented development. The Council adopted in 2015 as a Strategic Imperative: “to complete approval of the Southeast Policy Area and utilize the land use plan to develop a recruitment strategy for new or expanding businesses”.

Financial Highlights for Fiscal Year 2015

The City prepares two types of financial statements that measure its finances differently. The government-wide statements present a long-term perspective of the City’s assets, liabilities and net assets, as well as its operations. The fund statements provide a short-term perspective of individual fund’s assets, liabilities and fund balance, as well as the resources flowing in and out during the fiscal year. The General Fund is the main operating fund of the City.

Highlights of the City of Elk Grove’s financial activities for the FY ending June 30, 2015 include:

- Total net position decreased $23 million from last year, a 1.7% decrease. The decrease is primarily from reduced expectation that housing loan interest will be received and implementation of GASB 68 (reporting change in pension liability).
- Long-term liabilities decreased by $9.2 million primarily in pension and debt liabilities, a 6.9% decrease.
- Cash and investments comprised of $180 million in the City treasury and over $17 million of restricted cash held by fiscal agents.
- Net capital assets of $1.1 billion include the City’s entire infrastructure in addition to all other City assets.
The Statement of Net Position presents information on all of the City’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or weakening. During Fiscal Year 2015, the City continued to invest capital reserves into capital projects. The major factor in the decrease of the City’s net position was the depreciation of City infrastructure which includes streets, sidewalks, drainage and traffic lights. The City’s streets continue to maintain an average Pavement Condition Index (PCI) of "good".

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$285,969,775</td>
<td>$289,908,100</td>
</tr>
<tr>
<td>Capital assets</td>
<td>1,135,461,405</td>
<td>1,154,290,958</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,421,431,180</td>
<td>1,444,199,058</td>
</tr>
<tr>
<td><strong>Deferred Outflow of Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred amount on refunding</td>
<td>9,325,570</td>
<td>4,314,242</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and other liabilities</td>
<td>40,696,184</td>
<td>49,656,576</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>125,360,768</td>
<td>115,960,949</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>166,056,952</td>
<td>165,617,525</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in Capital assets</td>
<td>1,045,953,748</td>
<td>1,062,004,377</td>
</tr>
<tr>
<td>Restricted net position</td>
<td>195,092,286</td>
<td>186,903,329</td>
</tr>
<tr>
<td>Unrestricted net position</td>
<td>20,309,412</td>
<td>33,988,069</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$1,261,355,446</td>
<td>$1,282,895,775</td>
</tr>
</tbody>
</table>

1Capital Assets less accumulated depreciation and the related debt.
2Asset whose use is restricted by statute or law.
3Portion of net assets available to meet City obligations in upcoming FY.

*Detailed financial reports can be found in the City’s FY 2014-15 CAFR available on the City’s website at http://www.elkgrovecity.org/city_hall/departments_divisions/finance/accounting/, City Hall or local public libraries.*
This chart shows that the City's net position has increased substantially since 2006. The dramatic increase from 2006 to 2007 reflects the capitalization of infrastructure—this was not reported prior to 2007. The assets are reported net of depreciation.

**Goals and Accomplishments**

The Elk Grove Multi-Sports Park Complex took a major step forward this past year when the City purchased 100 acres. The acreage is located contingent, but outside of the City’s boundaries and therefore, a Sphere of Influence Amendment to include the Multi-Sport Park in the City limits has been submitted to the Local Agency Formation Commission (LAFCo). The environmental review, continued design and engineering work will prepare this project for the next steps.

The Aquatic Center has been a project that the City has endeavored over the last several years to add to the amenities available to the community. Council ended, during fiscal year 2014-15, the private-public partnership that had attempted to create a plan to construct a 20 acre Aquatic Center with a commercial component that was envisioned to offset the expected operational loss of the Aquatic Center. After the partnership ended, the City then re-purposed the Aquatic Center design and invited construction bids. The bids substantially exceeded estimates and were rejected during October 2015. Council will be evaluating in the near future the Aquatic Center, Senior Center and Veteran’s Hall projects, project delivery and available funding for these projects programmed for the Civic Center Park.
The Statement of Activities provides a record of the money received by the City and spent during the year. Explanations of specific Resources and Services are provided on the following pages. Overall, revenues other than capital grants have increased because of the improved economy and increased building which increases fees and receipts, and expenditures were constrained.

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees, fines and charges for services</td>
<td>$ 45,085,336</td>
<td>$ 41,607,945</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>44,719,953</td>
<td>43,687,467</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>4,724,172</td>
<td>10,639,110</td>
</tr>
<tr>
<td></td>
<td>94,529,461</td>
<td>95,934,522</td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>11,983,591</td>
<td>10,810,340</td>
</tr>
<tr>
<td>Sales and use taxes</td>
<td>16,567,321</td>
<td>15,365,390</td>
</tr>
<tr>
<td>Other taxes</td>
<td>14,903,029</td>
<td>13,751,448</td>
</tr>
<tr>
<td>Other revenue</td>
<td>7,272,174</td>
<td>4,176,866</td>
</tr>
<tr>
<td></td>
<td>50,726,115</td>
<td>44,104,044</td>
</tr>
<tr>
<td>Total Revenues</td>
<td><strong>145,255,576</strong></td>
<td><strong>140,038,566</strong></td>
</tr>
</tbody>
</table>

| Expenses:                     |                   |                   |
| General government            | 7,989,314         | 10,318,324 |
| Public safety                 | 34,793,685        | 33,121,110 |
| Public ways and facilities    | 57,464,510        | 58,379,175 |
| Community development         | 7,375,422         | 7,810,427 |
| Interest on long-term debt    | 4,875,918         | 4,845,038 |
| Solid Waste                   | 14,142,088        | 13,106,912 |
| Transit                       | 9,030,560         | 9,589,073 |
| Drainage                      | 3,374,484         | 3,087,492 |
| Revenue Neutrality            | 6,116,684         | 5,857,424 |
|                               | **145,162,665**   | **146,114,975**  |

Net Position - Beginning, as previously reported:  
1,282,895,755  
1,303,346,150

Cumulative Effect of Change in Accounting Principles:  
(9,492,099)  
-

Net Position - Beginning, as restated:  
$1,273,403,676  
$1,303,346,150

Net Position - Ending:  
$1,261,355,446  
$1,282,895,775

*Revenues derived directly from fees, charges and grants

*All revenues that are not related to programs

*Change resulting from implementation of GASB 68

*Detailed financial reports can be found in the City’s FY 2014-15 CAFR available on the City’s website at http://www.elkgrovecity.org/city_hall/departments_divisions/finance/accounting/, City Hall or local public libraries.
Where the money comes from...

### Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees, fines and charges for services</td>
<td>31.04%</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>30.79%</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>3.25%</td>
</tr>
<tr>
<td>Property taxes</td>
<td>8.25%</td>
</tr>
<tr>
<td>Sales and use taxes</td>
<td>11.41%</td>
</tr>
<tr>
<td>Other taxes</td>
<td>10.26%</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>5.01%</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>5.01%</td>
</tr>
</tbody>
</table>

- **Fees, fines and charges for services**: Payments received directly by the City for services performed. This would include fees such as utility payments, business license, development service and code enforcement fines.
- **Operating grants and contributions**: Monies received from parties outside the City and are generally restricted to one or more specific programs. This would include items such as vehicle licensing fees from the State and Police Grants from other governmental agencies for public safety.
- **Capital grants and contributions**: Monies received for capital purposes, to purchase, construct, or renovate capital assets associated with a specific program. This would include items such as Measure A financing for constructing roadways and highway interchanges.
- **Property taxes**: 5 to 6% of property tax collected by the County and allocated to the City. The City further shares 75% of the property taxes with the County of Sacramento per the Revenue Neutrality agreement implemented at incorporation that decreases to 70% in FY 2018-19. See expense on the following page.
- **Sales and use taxes**: 1% sales tax collected on retail sales in the City.
- **Other taxes**: Smaller taxes collected by the City such as Utility User Tax and Transient Occupancy.
Public ways and facilities - reflects expenses associated with the repair, construction, acquisition and maintenance of public roads and bicycle overcrossing.

Public safety - includes all aspects of law enforcement.

Solid Waste - expenses associated with refuse and recycling.

Transit - represents expenses associated with operation of public transportation, including busses and paratransit.

General government - includes expenses for the administrative offices including the City Council, City Manager, City Attorney, Finance, Human Resources, City Clerk, Insurance and general administration of the City.

Community development - reflects services provided to residents and businesses including Planning, Building, Animal Control, Code Enforcement, Communications and Youth Services.

Revenue Neutrality - agreement between City and County at incorporation lasting 25 years to ensure the County remains revenue neutral.

Interest on long-term debt - indirect expense of interest paid on general long-term debt incurred by governmental functions.

Drainage - maintenance of storm water drainage system.

*Detailed financial reports can be found in the City’s FY 2014-15. CAFR available on the City’s website at http://www.elkgrovecity.org/finance/accounting-division/cafr, City Hall or local public libraries.
Revenue Neutrality—Property owners are levied one percent of appraised value for annual property tax payment. Of this payment, an average of 5.7 cents is allocated to the City annually to provide services. At incorporation, the City accepted that a portion of the property taxes generated within the boundary would be retained by the County to hold them revenue neutral. As a result, the City nets only 25% of those funds (1.4 cents of total tax payment) as available for services.

*The dollar bill chart includes the Educational Revenue Augmentation Fund (ERAF) distribution.
City of Elk Grove Facts*

Population 162,899**
Elevation 45 feet
Miles of Sidewalk 800
Traffic Signs 10,465
Feet of Pipe 2,404,418
Area 42 square miles
Miles of Streets 555
Streetlights 14,082
Manholes 8,686
Storm Drain Inlets 15,180

Low Temperature 24-44 degrees
High Temperature 80-115 degrees
Annual Precipitation 22” October to April

*Estimates
**Population has increased 99% since the year of incorporation and 1.4% over the previous year. The City is the second largest incorporated city within Sacramento County.

Current City Council as of December 31, 2015

Gary Davis
Mayor

Steve Ly
Vice Mayor

Darren Suen
Councilmember
District 4

Patrick Hume
Councilmember
District 2

Steven Detrick
Councilmember
District 3

City of Elk Grove Council District Map
Visit the City of Elk Grove Website at

http://www.elkgrovecity.org

The City’s website includes information about:

- Councilmembers
- Council Meetings
- Council Agenda
- Job Opportunities
- City Permits and Forms
- City Newsletter
- Department Contact Information
- Purchasing Bid Solicitation

Financial Information

- Budget
- Annual Financial Statements (CAFR)
- Elk Grove Annual Report to the Community
- Development Related Fee Information
- Mello Roos CFD's
- Development Impact Fee Deferral Program

Online Services

- City of Elk Grove Police Department
  EGPD Daily Watch Summary
- Transit Services
  Purchase e-tran and e-van passés
  e-tran Interactive Route Map
- GIS Mapping Tool
- Ask Elk Grove App-questions
- View Building Permits
- Apply or Renew Business Licenses
- Track your Code Enforcement Case
- Pay Utility Bill
- Apply for City Jobs

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Elk Grove for its Popular Annual Financial Report for the fiscal year ended June 30, 2014. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to receive an Award for Outstanding Achievement in Popular Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.