

Proprietary Funds

Proprietary funds are used to account for a government's business-type activities. There are two types of proprietary funds - Enterprise Funds and Internal Service Funds. Both fund types use the same Generally Accepted Accounting Principles (GAAP) similar to businesses in the private sector. Both enterprise and internal service funds recover the full cost of providing services (including capital costs) through fees and charges on those who use their services. The adopted budget for each proprietary fund is based on GAAP and includes depreciation, but excludes

capital outlay and principal payments on debt. However, the management of these funds is based on the "bottom line" and whether the expenses are supported by revenue. The City uses "net unrestricted assets" to evaluate these funds. This method works similarly to working capital and is the result of all transactions that affect unrestricted assets and liabilities. By including capital outlay and debt service payments in the reconciliation of these funds, the City can determine whether the charges for services are adequate to cover all expenses and future capital needs.

Proprietary Funds Statement of Revenues, Expenses and Changes in Unrestricted Net Assets - Fiscal Year 2007

	Water Fund	Wastewater Fund	Golf Fund	Self Insurance Fund	Motor Equipment Fund	Totals
Revenue:						
Charges for services	45,955,000	28,630,000	2,473,800	10,312,300	4,476,600	91,847,700
Fines and forfeitures	540,000	350,000				890,000
Miscellaneous	360,000	240,000		40,000		640,000
Total Revenue	46,855,000	29,220,000	2,473,800	10,352,300	4,476,600	93,377,700
Expenses:						
Salaries and wages	5,954,788	2,937,473	266,368	2,331,499	1,422,557	12,912,685
Employee benefits	2,078,802	1,036,785	73,000	194,912	481,115	3,864,614
Services and supplies:						
Water Purchase	13,156,000					13,156,000
Sewage Treatment		11,916,500				11,916,500
Services and supplies	7,499,524	4,221,972	1,679,016	3,999,120	2,615,742	20,015,374
Total Expenses	28,689,114	20,112,730	2,018,384	6,525,531	4,519,414	61,865,173
Operating Income	18,165,886	9,107,270	455,416	3,826,769	(42,814)	31,512,527
Non-Operating Revenues (Expenses)						
Connection Fees	10,100,000	10,200,000				20,300,000
Debt Service	(4,581,400)	(349,700)				(4,931,100)
Capital Outlay	(8,394,200)	(12,076,300)			(6,054,000)	(26,524,500)
Total Non-Operating Revenues (Expenses)	(2,875,600)	(2,226,000)			(6,054,000)	(11,155,600)
Income Before Transfers In (Out)	15,290,286	6,881,270	455,416	3,826,769	(6,096,814)	20,356,927
Transfers to Other Funds	(20,030,500)	(13,650,000)			5,901,600	(27,778,900)
Change in Unrestricted Net Assets	(4,740,214)	(6,768,730)	455,416	3,826,769	(195,214)	(7,421,973)
Beginning Unrestricted Net Assets	47,402,667	7,828,070	486,002	7,224,333	765,268	63,706,340
Ending Unrestricted Net Assets	42,662,453	1,059,340	941,418	11,051,102	570,054	56,284,367



Enterprise funds are used in situations where a fund provides services primarily to external customers. The City classifies its Water, Wastewater and Golf Funds as Enterprise Funds. GAAP mandates the use of an enterprise fund when legal requirements or management policy require that the full cost of providing services (including capital costs) be recovered through fees and charges.

Internal Service Funds are designed to function on a cost-reimbursement basis and are used to recover the full cost of providing a given activity. Internal service funds are used when a fund primarily provides benefits to other funds, departments or agencies of the government. Costs in the Internal Service Funds are allocated to the benefiting funds in the form of fees and charges. The City classifies its Motor Equipment and Self-Insurance Funds as Internal Service Funds.

Proprietary Funds Statement of Revenues, Expenses and Changes in Unrestricted Net Assets, Fiscal Years 2005-2007

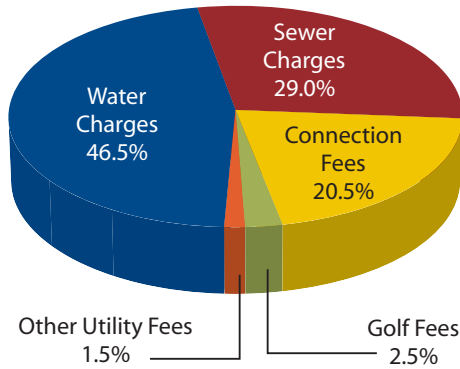
	2004-05 Actual	2005-06 Amended Budget	2006-07 Adopted Budget	2006 vs. 2007 Variance	
Revenue:					
Internal Service Charges	12,254,601	13,211,300	14,788,900	1,577,600	11.9
Intergovernmental	137,748				0.0
Charges for services:					
Water fees	35,767,187	41,715,300	42,600,000	884,700	2.1
Wastewater fees	19,010,104	24,500,000	28,000,000	3,500,000	14.3
Other fees	7,764,317	5,998,500	6,458,800	460,300	7.7
Licenses and permits					0.0
Fines and forfeitures	1,161,480	850,000	890,000	40,000	4.7
Miscellaneous	1,286,125	871,500	640,000	(231,500)	(26.6)
Total Revenue	77,381,562	87,146,600	93,377,700	6,231,100	7.2
Expenses:					
Salaries and wages	10,611,956	10,864,826	12,912,685	2,047,859	18.8
Employee benefits	2,699,033	3,068,515	3,864,614	796,099	25.9
Services and supplies:					
Water purchase	10,531,955	12,144,000	13,156,000	1,012,000	8.3
Sewage Treatment	9,526,928	12,777,600	11,916,500	(861,100)	(6.7)
Services and supplies	13,812,480	17,069,347	20,015,374	2,946,027	17.3
Total Expenses	47,182,352	55,924,288	61,865,173	5,940,885	10.6
Operating Income	30,199,210	31,222,312	31,512,527	290,215	0.9
Non-Operating Revenues (Expenses)					
Connection Fees	33,578,023	17,285,000	20,300,000	3,015,000	17.4
Debt Service	(6,519,322)	(5,927,700)	(4,931,100)	996,600	(16.8)
Capital Outlay	(5,692,424)	(41,019,673)	(26,524,500)	14,495,173	(35.3)
Total Non-Operating Revenues (Expenses)	21,366,277	(29,662,373)	(11,155,600)	18,506,773	(62.4)
Income Before Transfers In (Out)	51,565,487	1,559,939	20,356,927	18,796,988	1,205.0
Transfers to Other Funds	(24,658,772)	(31,840,000)	(27,778,900)	4,061,100	(12.8)
Change in Unrestricted Net Assets	26,906,715	(30,280,061)	(7,421,973)	22,858,088	(75.5)
Beginning Unrestricted Net Assets	67,079,686	93,986,401	63,706,340	(30,280,061)	(32.2)
Ending Unrestricted Net Assets	93,986,401	63,706,340	56,284,367	(7,421,973)	(11.7)



Enterprise Funds

Enterprise Funds are used to finance and account for the acquisition, operation and maintenance of city facilities and services that are intended to be entirely or predominately self-supported from user charges. Operations are accounted for in such a manner as to show a profit or loss on a basis comparable with industries in the private sector. The City of North Las Vegas operates three funds in this manner: the Water, Wastewater and the Golf Course Funds.

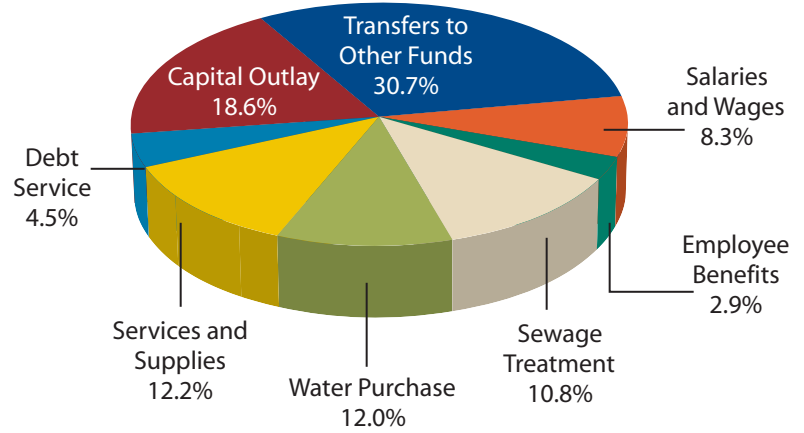
**Enterprise Fund Revenue
Unrestricted Net Assets Basis
\$113,677,700**



Enterprise Funds represent 17.3% of the City's budget. The most significant issue affecting the Enterprise Funds is to ensure that these funds operate as self-supporting funds and maintain adequate cash balances to cover operating costs, debt service including debt coverage and capital repairs and replacements. While all the enterprise funds are self-supporting and maintain adequate cash reserves, rate adjustments are needed occasionally to ensure this condition continues.

The most significant issue affecting the Enterprise Funds is to ensure that these funds operate as self-supporting funds and maintain adequate cash balances to cover operating costs, debt service including debt coverage and capital repairs and replacements.

**Enterprise Fund Expenses
Unrestricted Net Assets Basis
\$121,099,673**



Basis of Accounting

The City of North Las Vegas uses the full accrual basis in preparing Enterprise Fund budgets. Revenues and expenses are recognized at the time they occur. For example, when homeowners use water, the City records the revenue when the meters are read and consumption is calculated. When the customer pays the utility bill does not affect when the City records the transaction. Conversely, the City reports expenses when a service is performed or an item is purchased. When the City pays the invoice does not affect when the expense is recorded.

However, the City uses "net unrestricted assets" to evaluate these funds. A city, unlike private sector enterprises, cannot make a profit. Expenses and revenues should balance, however, cash balances should accumulate to a level sufficient for three purposes:

1. Provide a cushion or a contingency for unforeseen needs and emergencies (like fund balances in governmental funds);
2. Provide adequate security for long-term debt; and
3. Allow for a capital development program to reduce the need for borrowing.



Water Utility Fund

Background

The Utilities Department is responsible for managing the Water Fund. The major issues facing the water utility are 1) water costs, 2) water supply and 3) conservation.

Rate increases implemented in 2003, 2004 and 2005 allowed the City to meet the current cost of the water utility.

Source of Supply

The City obtains water from two sources, ground water and Colorado River basin. Groundwater is obtained from a series of City-owned operating wells that account for 3.4% of the potable water supply for the City. The remaining 96.6% of required water is met with treated Colorado River water furnished through the Southern Nevada Water Authority (SNWA).

The water distribution system consists of several pump stations, well sites, storage facilities and over 1,032 miles of water system piping. This infrastructure enables the utility to provide water service to over 69,000 customers with a population of 194,464. The water system services incorporated North Las Vegas, as well as Sunrise Manor and sections of unincorporated Clark County.

Colorado River water is provided to the City by SNWA at rates based on a formula that will recoup the costs associated with the construction, debt service and operational expenses. The quantity of Colorado River water received by the City under the facilities and operations agreement with SNWA is based on an annual operating plan that ensures that as a whole the valley does not exceed the Colorado River water allotment.

The Southern Nevada Water System is a water supply system comprised of two water treatment plants and pumping and transmission facilities with an annual delivery capacity of over 900 million gallons per day (mgd). Water is treated after diversion from Lake Mead and the potable

product is delivered to the Southern Nevada Water Authority water purveyors. The Southern Nevada Water Authority is currently planning, designing, and constructing new facilities as a part of a Capital Improvement Plan to expand the system's capacity to reliably treat and transport Colorado River water to the purveyor members.

The Southern Nevada Water Authority and Colorado River Commission continue to pursue all opportunities to secure additional water for southern Nevada. The members of the Southern Nevada Water Authority include the cities of Boulder City, Henderson, Las Vegas and North Las Vegas, the Big Bend Water District, Clark County Water Reclamation District (formerly Clark County Sanitation District), and the Las Vegas Valley Water District.

Among other things, the SNWA is addressing water resource management and water conservation on a regional basis; planning, managing and developing additional supplies of water for Southern Nevada; and expanding and enhancing regional treatment and delivery capabilities.



Drought

Over the past several years, the Colorado River Basin experienced drought conditions. Lake Mead, our primary water resource, continues to remain at lower than normal levels.

The City and the other SNWA member agencies agreed to make permanent the drought restrictions enacted in 2003 and 2004. The permanent restrictions were implemented as normal conservation measures for the region.

The City of North Las Vegas provides water services to residential, commercial and industrial customers. Water rates currently consist of a monthly service charge and a four-block volume charge for residential customers. The block or tiered volume-charge system is structured so that the difference in cost between the blocks or tiers is sufficient to promote conservation. A monthly service charge and a volume charge are in place for commercial and industrial customers.

Water Rates

In September 2003, the City received and accepted a rate study that established reserve balances to cover for future shortfalls that may occur. The projected target reserve has been exceeded due to sound fiscal management of the water utility. Utility management, working with SNWA and other water purveyors has maintained an aggressive approach at keeping costs of the wholesale delivery charge at a minimum. Continued monitoring of the water utility rates is needed to ensure that the future water purchase and other operating costs do not create a deficit ending balance in the future. Unrestricted net assets are projected at \$42.7 million at the end of fiscal 2007.



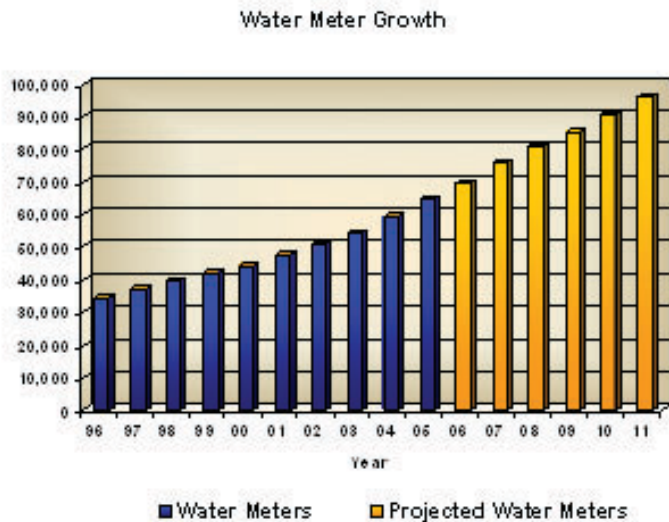
Hoover Dam

The average residential water customer consumes 11,000 gallons per month. The average monthly water bill is currently \$26.03.

Customer Account Growth

Over the past ten years, the number of water meter services grew by over 35,000 or an increase of 103.9%. It is expected that the utility will service 75,400 meters in 2007, an increase of 8.8% over 2006. Projections indicate a 6.8% rate of growth in 2008 and an average 6.0% growth per annum thereafter.

The graph depicted below shows the growth in water meters over the last decade and projections for the next five years.



Year	Water Meters
96	33,985
97	36,782
98	39,412
99	41,953
00	44,208
01	47,486
02	50,344
03	54,125
04	59,331
05	64,391
06	69,300
07	75,400
08	80,500
09	85,300
10	90,400
11	95,800



Summary

The financial statement depicted on the following page illustrates a \$4.7 million reduction in the Water Funds' unrestricted net assets in fiscal 2007 and is largely due to a \$8.4 million capital program.

The GAAP-based budget presented in the Utility Department summary excludes capital outlay and principal on debt payments since these are reflected as additions to long-term assets and a reduction to long-term liabilities on the City's financial statements. However, by including capital expenses and debt service payments on an "unrestricted net asset" basis, the City can determine whether water revenues are adequate to cover all expenses and future capital needs.

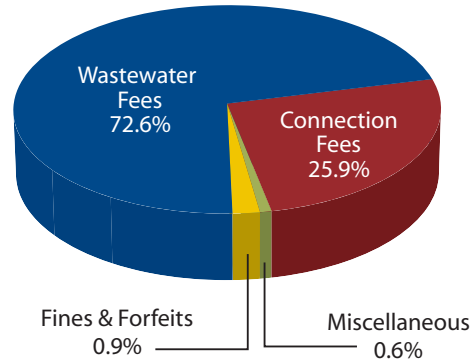
Major Revenues

Water Fund operating revenue is projected at \$46.9 million and is supplemented with \$10.1 million in construction and connection fees to produce total revenues of \$57.0 million. Approximately \$42.6 million, or 74.8% of all water revenue is generated from the sale of water services to City customers. Rate revenue increased by \$885,000 or 2.1%, largely due to customer growth.

Other charges for services amount to \$3.4 million and include water connection and turn-on fees, water application fees and backflow prevention fees. Late penalties and interest is budgeted at \$540,000 in fiscal 2007. Miscellaneous revenue includes \$360,000 in fees that are charged to Republic Services for garbage billing services.

Connection fees are budgeted at \$10.1 million, a 20.2% increase from fiscal 2006. These fees are based on development activity and are charged to new customers who connect to the water system. The fee represents a charge for the fair share of the capital cost of the system already in place and the cost of increasing the capacity of the system to meet the additional demand created by the connection of new customers.

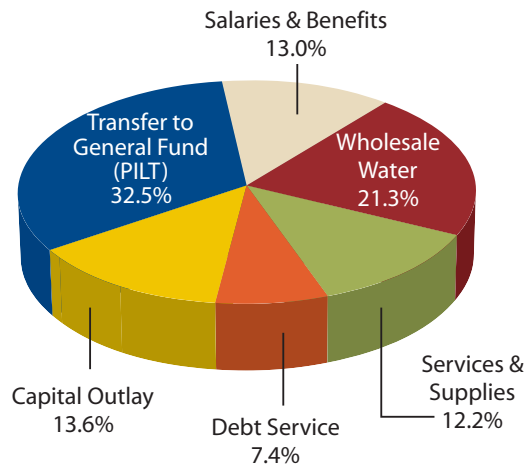
**Water Revenue
Unrestricted Net Assets Basis
\$56,955,000**



Major Expenses-Unrestricted Net Asset Basis

The 2007 operating budget amounts to \$28.7 million and is supplemented with capital outlay and construction (\$8.4 million), debt service (\$4.6 million) and the transfer to the general fund (\$20.0 million) to produce a total financial program of \$61.7 million. Total expenses increased by \$450,000 or 0.7% as compared to the 2006 amended budget.

**Water Expenses
Unrestricted Net Assets Basis
\$61,695,214**



**Water Fund
Statement of Revenues, Expenses, and Changes in Unrestricted Net Assets
For the Years 2005 - 2007**

	2004-05 Actual	2005-06 Amended Budget	2006-07 Adopted Budget	2006 vs. 2007 Variance	
Revenue:					
Charges for services:					
Water fees	35,767,187	41,715,300	42,600,000	884,700	2.1
Other fees	5,758,132	3,140,000	3,355,000	215,000	6.8
Fines and forfeitures	696,918	510,000	540,000	30,000	5.9
Miscellaneous	625,741	580,000	360,000	(220,000)	(37.9)
Total Revenue	42,847,978	45,945,300	46,855,000	909,700	2.0
Expenses:					
Salaries and wages	4,360,550	4,852,200	5,954,788	1,102,588	22.7
Employee benefits	1,401,653	1,625,400	2,078,802	453,402	27.9
Services and supplies:					
Water purchase	10,531,955	12,144,000	13,156,000	1,012,000	8.3
Services and supplies	6,039,659	6,675,663	7,499,524	823,861	12.3
Total Expenses	22,333,817	25,297,263	28,689,114	3,391,851	13.4
Operating Income	20,514,161	20,648,037	18,165,886	(2,482,151)	(12.0)
Non-Operating Revenues (Expenses)					
Connection Fees	19,160,857	8,400,000	10,100,000	1,700,000	20.2
Debt Service	(5,899,688)	(4,426,200)	(4,581,400)	(155,200)	3.5
Capital Outlay	(5,545,825)	(11,731,563)	(8,394,200)	3,337,363	(28.4)
Total Non-Operating Revenues (Expenses)	7,715,344	(7,757,763)	(2,875,600)	4,882,163	(62.9)
Income Before Transfers In (Out)	28,229,505	12,890,274	15,290,286	2,400,012	18.6
Transfers in From Other Funds	3,541,679				0.0
Transfers Out to Other Funds	(18,151,892)	(19,790,000)	(20,030,500)	(240,500)	1.2
Change in Unrestricted Net Assets	13,619,292	(6,899,726)	(4,740,214)	2,159,512	(31.3)
Beginning Unrestricted Net Assets	40,683,101	54,302,393	47,402,667	(6,899,726)	(12.7)
Ending Unrestricted Net Assets	54,302,393	47,402,667	42,662,453	(4,740,214)	(10.0)



Salaries and benefits amount to \$8.0 million, an increase of 24.0% as compared to fiscal 2006. The new staffing component funds 24 additional full-time equivalents. The new positions include four Utilities Field Service staff; six Engineering staff; twelve positions in Customer Services, an Inventory Control Specialist and a Utility Line Locator. Most of the salaries, benefits and expenses associated with these positions are allocated 60.0% to the Water Utility and 40.0% to the Wastewater Utility.

Wholesale water purchases accounts for 45.9% of total operating expenses and 21.3% of the total budget. Water purchases amount to \$13.2 million, an increase of \$1.0 million or 8.3%. The City purchases 96.6% of its water from the Southern Nevada Water Authority (SNWA).

The SNWA's wholesale water cost is \$252 per acre foot. In addition, it is expected that the water utility's usage will increase from 52,000 to 55,000 acre-feet of water in fiscal 2007.

Supplies and services are budgeted at \$7.5 million. These expenses increased by \$0.8 million or 12.3%. Some of the supplemental requests include fees to the Clean Water Coalition (\$1.8M), new software, and supplies in support of the new positions.

In fiscal 2006, the Utilities Department subsidized the Public Works Department with \$1.4 million to cover the transfer of Public Works department costs to the General Fund. The allocation will be reduced by \$360,000, or 20% per annum in fiscal years 2007-2010 and will be completely phased out in fiscal 2011. This subsidy is in addition to the payment in lieu of tax (PILT) payment.

The payment in lieu of taxes (PILT) has been reclassified as a **Transfer to the General Fund**, consistent with government accounting standards. This amount is estimated at \$20.0 million in the

fiscal 2007 budget and is based on a formula adopted in fiscal 2005. Developer contributions and federal funds designated for grants or for reimbursement of expenditures for the Water Fund are not subject to the PILT calculation.

PILT Calculation
Payment in Lieu of Taxes @ 20.0% of Water Rate Revenue
Franchise Fees @ 5.0% of Water Rate Revenue
Overhead Fees @15.0% of Total Revenue

Debt Service is budgeted at \$4.6 million, approximately the same amount as fiscal 2005. More detail can be found in the debt management section of this document.

Capital Outlay amounts to \$8.4 million. A detail listing of all capital can be found in the Utility Department section of the budget.



Wastewater Utility Fund

Background

The Utilities Department is responsible for managing the Wastewater Fund. The major issues facing the wastewater utility are: 1) the increasing cost of wastewater treatment and 2) compliance with the Clean Water Act.

Recent rate increases implemented in 2003, 2004, and 2005 allowed the City to meet the current costs of the wastewater utility.

Wastewater generated in the City is transmitted through City-owned sewer lines to the wastewater collection systems belonging to the City of Las Vegas and to the Clark County Water Reclamation District. The wastewater from North Las Vegas is treated by these entities and discharged to the Las Vegas Wash and eventually to Lake Mead. The City of North Las Vegas discharges approximately 18 million gallons per day of wastewater. Both wastewater treatment facilities are under continual expansion in compliance with the Environmental Protection Agency approved 208 and 201 plans.

The sewer collection system, service all of incorporated North Las Vegas and contains over 636 miles of piping. The utility is also responsible for the maintenance of storm piping throughout the City.

Water Reclamation Facility

Wastewater is a water resource for the City's future. Presently, all of the wastewater generated within the city limits is conveyed to the City of Las Vegas and the Clark County Water Reclamation District for treatment. Once conveyed to these agencies, the potential for water reuse is gone and the water commodity is owned by those agencies. In addition, almost 67% of the Wastewater Fund's operating budget pays for treatment costs to third party agencies.

In January 2004, the City Council authorized an in-depth analysis on wastewater treatment options for the city. In October, the City Council directed staff to pursue construction of a water reclamation facility and authorized the City Manager to pursue a site for the facility. The proposed Water Reclamation Facility will cost approximately \$160.0 million and will be funded with bond proceeds and low-interest State of Nevada Revolving Fund Loans. Preliminary engineering and design costs are included in the fiscal 2007 budget.

Construction of this facility will allow independence from the City of Las Vegas wastewater treatment rates and provide the City with the ability to maximize efficiencies of operations and water resources. Over time, the Wastewater Utility will realize a present worth savings with the construction of a treatment facility.

Wastewater Rates

In September 2003, the City received and accepted a rate study that established reserve balances to cover for future shortfalls that may occur. In the study sewage treatment costs were expected to increase. The 40% increase that the City was required to pay exceeded the projected increase in the study. Even with this increase, management has been able to exceed the desired ending reserve balances. Close monitoring of the Wastewater Utility rates are needed to ensure that the future sewage treatment cost and other operating costs do not create a deficit ending balance in the future. Unrestricted net assets are projected at \$1.1 million at the end of fiscal 2007.

A single-family wastewater customer is billed for an average monthly usage of 8,000 gallons. The average monthly wastewater bill is \$32.39 per month.



The City of North Las Vegas provides wastewater service to over 51,000 customers. Wastewater rates consist of a monthly service fee and a fee per 1,000 gallons of water used. For residential customers, the wastewater rate is capped at a water usage of 8,000 gallons each month. A monthly service fee and a fee per 1,000 gallons of water used is in place for commercial customers without a maximum cap.

Customer Account Growth

At present, the City services 51,187 wastewater accounts. Over the past ten years, the number of accounts grew by 26,387, an increase of 106% in the utility's customer base. It is expected that the wastewater utility will service 55,200 customers in 2007, an increase of 7.8% over 2006. Projections indicate a 6.7% rate of growth in 2008 and an average 6.3% growth per annum thereafter.

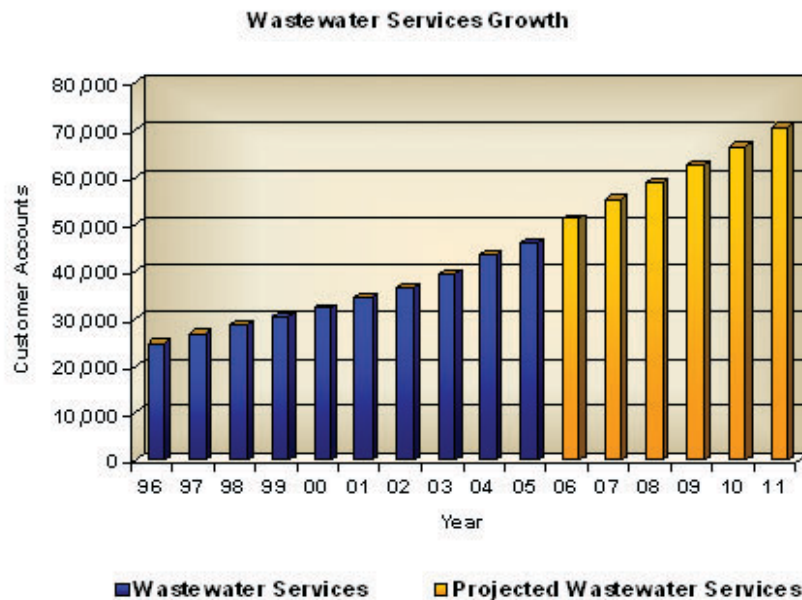
Summary

The financial statement depicted on the following page illustrates a \$6.8 million reduction in the Wastewater Funds' unrestricted net assets. This is largely due to a \$28.6 million capital program in fiscal 2006 and a \$12.1 million capital program in fiscal 2007. Over \$6.1 million is appropriated for the design of the water reclamation facility. It is expected that these expenses will be reimbursed through the State Revolving Loan program and bond proceeds.

Major Revenues

Wastewater Fund operating revenue is projected at \$29.2 million and is supplemented with \$10.2 million in connection fees to produce total resources of \$39.4 million.

The utility expects to receive \$28.0 million in rate revenue generated from the sale of wastewater services to city customers. Rate revenue increased by \$3.5 million due to customer growth.



Year	Wastewater Services
96	24,800
97	26,800
98	28,700
99	30,600
00	32,200
01	34,600
02	36,700
03	39,500
04	43,500
05	45,900
06	51,200
07	55,200
08	58,900
09	62,600
10	66,500
11	70,700



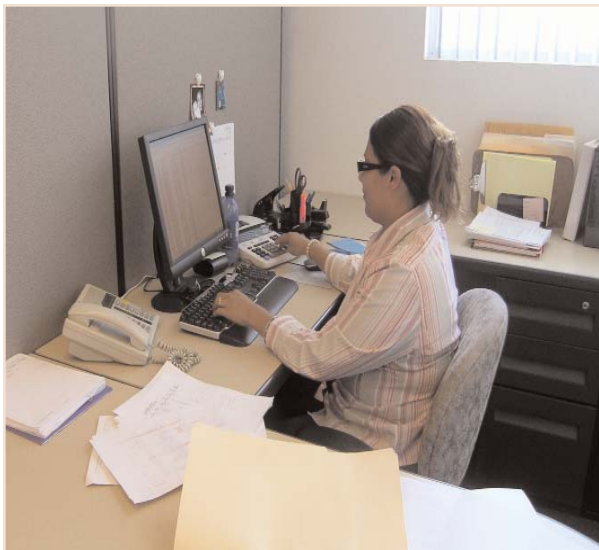
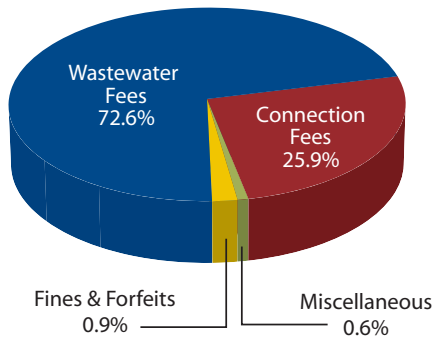
Wastewater Fund
Statement of Revenues, Expenses and Changes in Unrestricted Net Assets
For the Years 2005-07

	2004-05 Actual	2005-06 Amended Budget	2006-07 Adopted Budget	2006 vs. 2007 Variance	
Revenue:					
Intergovernmental	137,748				0.0
Charges for services:					
Wastewater Fees	19,010,104	24,500,000	28,000,000	3,500,000	14.3
Other fees	1,005,418	600,000	630,000	30,000	5.0
Fines and forfeitures	464,562	340,000	350,000	10,000	2.9
Miscellaneous	368,932	250,000	240,000	(10,000)	(4.0)
Total Revenue	20,986,764	25,690,000	29,220,000	3,530,000	13.7
Expenses:					
Salaries and wages	1,740,027	2,337,800	2,937,473	599,673	25.7
Employee benefits	592,019	790,600	1,036,785	246,185	31.1
Services and supplies:					
Sewage Treatment	9,526,928	12,777,600	11,916,500	(861,100)	(6.7)
Services and supplies	1,799,460	2,724,946	4,221,972	1,497,026	54.9
Total Expenses	13,658,434	18,630,946	20,112,730	1,481,784	8.0
Operating Income	7,328,330	7,059,054	9,107,270	2,048,216	29.0
Non-Operating Revenues (Expenses)					
Connection Fees	14,417,166	8,885,000	10,200,000	1,315,000	14.8
Debt Service	(619,634)	(1,501,500)	(349,700)	1,151,800	(76.7)
Capital Outlay	(105,764)	(28,579,130)	(12,076,300)	16,502,830	(57.7)
Total Non-Operating Revenues (Expenses)	13,691,768	(21,195,630)	(2,226,000)	18,969,630	(89.5)
Income Before Transfers In (Out)	21,020,098	(14,136,576)	6,881,270	21,017,846	(148.7)
Transfers in From Other Funds					0.0
Transfers Out to Other Funds	(10,028,559)	(12,050,000)	(13,650,000)	(1,600,000)	13.3
Change in Unrestricted Net Assets	10,991,539	(26,186,576)	(6,768,730)	19,417,846	(74.2)
Beginning Unrestricted Net Assets	23,023,107	34,014,646	7,828,070	(26,186,576)	(77.0)
Ending Unrestricted Net Assets	34,014,646	7,828,070	1,059,340	(6,768,730)	(86.5)



Other revenues increased slightly and include wastewater connection and turn-on fees, wastewater permit fees, late penalties, interest and miscellaneous revenue. Miscellaneous revenue includes approximately \$250,000 in fees that are charged to Republic Services for garbage billing services.

**Wastewater Revenue
Unrestricted Net Assets Basis
\$39,420,000**



Connection fees are budgeted at \$10.2 million, a \$1.3 million increase from fiscal 2006. These fees are based on account growth and are conservatively budgeted because of their elastic nature. Development activity can be impacted by a variety of factors including air quality, drought conditions, and the local economy. Connection fees are charged to new customers who connect to the wastewater system. The fee represents a charge for the fair share of the capital cost of the system already in place and the cost of increasing the capacity of the system to meet the additional demand created by the connection of new customers.

Major Expenses - Unrestricted Net Asset Basis

The 2007 operating budget amounts to \$20.1 million and is supplemented with capital outlay and construction (\$12.1 million), debt service (\$0.3 million), and the transfer to the General Fund (\$13.7 million) to produce a total financial program of \$46.2 million.

Salaries and benefits amount to almost \$4.0 million, an increase of 27.0% as compared to fiscal 2006 and is primarily due to the addition of 24 new positions in the water and wastewater utility funds. The new positions include four Utilities Field Service staff; six Engineering staff; twelve positions in Customer Services, an Inventory Control Specialist and a Utility Line Locator. Most of the salaries, benefits and expenses associated with these positions are allocated 60.0% to the Water Utility and 40.0% to the Wastewater Utility.

Sewage treatment accounts for almost 59.2% of the operating budget and 25.8% of the total budget. Sewage treatment is contracted with the Clark County Reclamation District and the City of Las Vegas. Sewage treatment costs are estimated at \$11.9 million in fiscal year 2007.



Supplies and services are budgeted at \$4.2 million, a \$1.5 million increase over the prior year. This increase is attributed to a \$1.8 million appropriation for the Clean Water Coalition. Other supplemental requests include supplies for the new staff; supplies for the new lockbox processing system; additional postage; and software and scanners.

In fiscal 2006, the Utilities Department subsidized the Public Works Department with \$864,000 from the Water Fund. The allocation will be reduced by 20% per annum in fiscal years 2007-2010 and will be completely phased out in fiscal 2011. This subsidy is in addition to the payment in lieu of tax (PILT) payment.

expenditures for the Water Fund are not subject to the above PILT calculation.

PILT Calculation

Payment in Lieu of Taxes @ 20.0% of Wastewater Rate Revenue

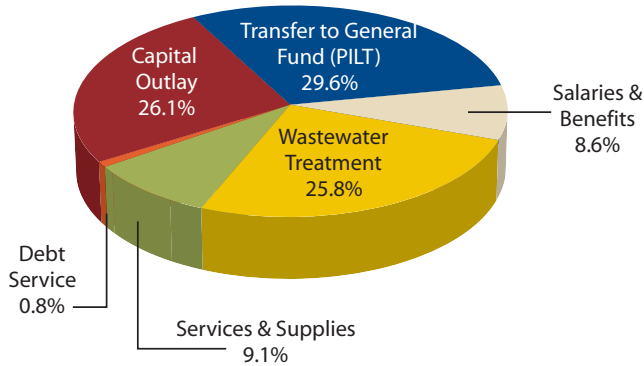
Franchise Fees @ 5.0% of Wastewater Rate Revenue

Overhead Fees @15.0% of Total Revenue

Debt service amounts to \$0.4 million and decreased due to a bond refunding and a reallocation of debt between the Water and Wastewater Funds. More detail can be found in the debt management section of this document.

Capital outlay and construction appropriations total \$12.1 million and include \$6.0 million in design on a new reclamation facility. A detail listing of all capital can be found in the Utility Department section of the budget.

**Wastewater Expenses by Object
Unrestricted Net Assets Basis
\$46,188,730**



Payment in lieu of taxes has been reclassified as a **Transfer to the General Fund**, consistent with government accounting standards. This amount is estimated at \$13.7 million in the fiscal 2007 budget and is based on the following methodology adopted in fiscal 2005.

Developer contributions and federal funds designated for grants or for reimbursement of



Golf Course Fund

Summary

The City owns and operates two golf courses. The municipal golf course is a small nine hole, par-3 golf course that allows for nighttime play and is open every day except Christmas.

In 2005, the City acquired the Craig Ranch Golf Course with proceeds from the Southern Nevada Public Lands Management Act funds. This 132-acre site will be developed into a regional park. Design is currently underway with construction scheduled in fiscal years 2008 and 2009.

The financial statement depicted below illustrates a \$455,416 increase in the unrestricted net assets of the Golf Fund. Although this represents an increase as compared to fiscal year 2005, it is largely the result of the acquisition of the Craig Ranch Golf Course.

The Municipal Golf Course cash reserves are declining and the competition of nearby golf courses is having an adverse impact on revenues. User fees may require an adjustment to ensure that the Municipal Golf Course continues to be self-supporting.

Golf Fund

Statement of Revenues, Expenses and Changes in Unrestricted Net Assets Fiscal Years 2005-2007

	2004-05 Actual	2005-06 Amended Budget	2006-07 Adopted Budget	2006 vs. 2007 Variance	
Revenue:					
Charges for services	1,000,767	2,258,500	2,473,800	215,300	9.5
Miscellaneous	331	6,500		(6,500)	(100.0)
Total Revenue	1,001,098	2,265,000	2,473,800	208,800	9.2
Expenses:					
Salaries and wages	292,903	234,126	266,368	32,242	13.8
Employee benefits	75,104	49,815	73,000	23,185	46.5
Services and supplies	502,751	1,603,259	1,679,016	75,757	4.7
Total Expenses	870,758	1,887,200	2,018,384	131,184	7.0
Operating Income	130,340	377,800	455,416	77,616	20.5
Non-Operating Revenues (Expenses)					
Debt Service					0.0
Capital Outlay		(258,000)		258,000	(100.0)
Total Non-Operating Revenues (Expenses)		(258,000)		258,000	(100.0)
Income Before Transfers In (Out)	130,340	119,800	455,416	335,616	280.1
Transfers to Other Funds					0.0
Change in Unrestricted Net Assets	130,340	119,800	455,416	335,616	280.1
Beginning Unrestricted Net Assets	235,862	366,202	486,002	119,800	32.7
Ending Unrestricted Net Assets	366,202	486,002	941,418	455,416	93.7



Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units on a cost reimbursement basis. Costs in the internal service funds are allocated to the benefiting funds in the form of fees and charges. The City of North Las Vegas operates two funds in this manner: Motor Equipment Fund and the Self-Insurance Reserve Fund. The City uses "net unrestricted assets" to evaluate these funds.

Motor Equipment Fund

The Motor Equipment Fund is used to account for repairs, maintenance, fuel and services to vehicles of all departments of the City. The Fleet Services Division of the Public Works Department is responsible for maintaining the municipal vehicular and construction equipment fleet in as high a degree of mechanical readiness as economically possible. Services provided by this division include:

- Vehicular Fleet Maintenance
- Preventative Maintenance Program
- Unscheduled Repair Program
- Fuel and Parts Inventory Control
- Equipment Specifications Preparation

Summary

The financial statement depicted on the following page illustrates a \$195,214 negative change in the unrestricted net assets in fiscal 2007.

The GAAP-based budget presented in the General Services' Department summary excludes capital outlay since it is reflected as an addition to long-term assets on the City's financial statements. However, by including capital expenses on an "unrestricted net asset" basis, the City can determine whether internal service rates are adequate to cover all expenses and future capital needs.

In December 2005, Mercury Associates, Inc. conducted a performance review of the City's fleet operations, including the development of a more effective and efficient management of City vehicles. Mercury Associates helped the City establish sound, service-based (direct) chargeback rates to the departments for scheduled vehicle maintenance, and the implementation of replacing vehicles sooner than the City had previously, under a 20-year program called the Smoothed Vehicle Replacement Plan. This Plan begins with the fiscal 2006-07 budget year. To better accommodate this new vehicle replacement plan, a \$5.9 million transfer from other funds has been infused into the reserve fund to mitigate the projected negative fund balance incurred after the first year.

Major Revenues

Equipment rental charges amount to \$4.5 million in 2007, a 1.3% increase over 2006 levels. Costs are allocated back to the user departments in the form of a "charge back rate". The rate is calculated using a technique called Vehicle Equivalent Unit (VEU) analysis, which measures the cost incurred with the type of vehicle maintained. The operating and maintenance component of the rate includes fuel, oil, tires, labor, parts, and overhead. Operation and maintenance rates are structured to recover the full cost of the Fleet Services Division. A table depicting the charge back rates to various departments is included in this section.



**Motor Equipment Fund
Statement of Revenues, Expenses and Changes in Unrestricted Net Assets
Fiscal Years 2005-2007**

	2004-05 Actual	2005-06 Amended Budget	2006-07 Adopted Budget	2006 vs. 2007 Variance	
Revenue:					
Charges for services	3,915,700	4,418,200	4,476,600	58,400	1.3
Miscellaneous					0.0
Total Revenue	3,915,700	4,418,200	4,476,600	58,400	1.3
Expenses:					
Salaries and wages	1,216,410	1,282,700	1,422,557	139,857	10.9
Employee benefits	394,828	420,700	481,115	60,415	14.4
Services and supplies	2,103,223	2,181,179	2,615,742	434,563	19.9
Total Expenses	3,714,461	3,884,579	4,519,414	634,835	16.3
Operating Income	201,239	533,621	(42,814)	(576,435)	(108.0)
Non-Operating Revenues (Expenses)					
Debt Service					0.0
Capital Outlay	(40,835)	(450,980)	(6,054,000)	(5,603,020)	1,242.4
Total Non-Operating Revenues (Expenses)	(40,835)	(450,980)	(6,054,000)	(5,603,020)	1,242.4
Income Before Transfers In (Out)	160,404	82,641	(6,096,814)	(6,179,455)	(7,477.5)
Transfers in From Other Funds			5,901,600	5,901,600	100.0
Transfers Out to Other Funds	(20,000)				0.0
Change in Unrestricted Net Assets	140,404	82,641	(195,214)	(277,855)	(336.2)
Beginning Unrestricted Net Assets	542,223	682,627	765,268	82,641	12.1
Ending Unrestricted Net Assets	682,627	765,268	570,054	(195,214)	(25.5)

Major Expenses - Unrestricted Net Asset Basis

The 2007 operating budget amounts to \$4.5 million, supplemented with capital outlay in the amount of \$6.1 million, producing a total financial program of \$10.6 million. This represents an increase of \$6.2 million or 143.9% from fiscal 2006, one of the largest increases to this fund. The increase is predominately for procuring vehicles in line with the Smooth Vehicle Replacement Plan. Fleet costs are expected to increase by almost \$435,000 due to rising fuel costs and the addition of 94 vehicles to the City's fleet from the 2006-07 Supplemental Budget.

Beginning in FY 2006-07, the cost of actual procurement of new and replacement vehicles will be reported in this fund.

A detailed listing of vehicles expected for replacement in Fiscal 2007 under the Smooth Vehicle Replacement Plan follows.



The ISF Vehicle Report depicts the charges assessed to each user department based on actual costs.

ISF Vehicle Report

Department	Account #	Total
General Services	100-4134	\$ 5,400
Building Maintenance	100-4163	106,600
Information Technology	100-4165	14,300
Janitorial	100-4166	15,200
Resource Management	100-4221	1,774,300
Fire Support Operations	100-4232	373,500
Building Safety	100-4241	159,400
Code Enforcement	100-4242	66,300
Detention Operations	100-4252	91,400
Warrant/Court Services	100-4254	77,000
Emergency Management	100-4291	10,800
Traffic Engineering	100-4293	167,500
Street Division	100-4312	461,300
Engineering	100-4313	17,900
Real Property Services	100-4314	3,600
Construction Services	100-4315	113,800
Survey	100-4316	52,800
Recreation Centers	100-4514	39,400
Parks - Grounds	100-4522	325,100
Economic Development	100-4610	5,400
Other Protection	289-4294	900
Support Services	610-4323	537,400
Motor Equipment	750-5113	57,300
Totals		\$4,476,600



Vehicle Assignments Fiscal 2007 (All Being Replaced)

Department/ Division	Vehicle Number	Vehicle Type	Year/Make/Model	Suggested Budget
Building Maint.	00350	3/4 Ton P/U	1995 Ford F150	\$23,793
Building Maint.	00352	Hybrid SUV	1995 Chevy P/U	\$25,750
Building Maint.	00353	3/4 Ton P/U	1995 Chevy P/U	\$23,793
Building Maint.	00355	3/4 Ton P/U	1995 Ford F150	\$23,793
Building Maint.	00357	3/4 Ton P/U	1995 Ford F150	\$23,793
Building Maint.	00395	3/4 Ton P/U	1996 Ford F150	\$23,793
Building Maint.	00404	3/4 Ton P/U	1996 Ford F150	\$23,793
Building Maint.	00405	3/4 Ton P/U	1996 Ford F150	\$23,793
Building Maint.	00433	3/4 Ton P/U	1995 Ford F150	\$23,793
Info Technology	00048	Hybrid SUV	1991 Chevy Cavalier	\$25,750
Info Technology	00641	Hybrid SUV	1996 Dodge Caravan	\$25,750
Janitorial	00768	Compact X-Cab P/U	1997 Chevrolet Tahoe	\$16,995
Pool Vehicle	00347	Hybrid SUV	1995 Ford F150	\$25,750
Pool Vehicle	00600	Hybrid SUV	1995 Chevy Corsica	\$25,750
Pool Vehicle	00610	Hybrid SUV	1995 Ford Explorer	\$25,750
Fire	00036	Fire App.	1984 Grumman Utility Truck	\$149,350
Fire	00364	3/4 Ton P/U 4 x 4	1995 Chevy P/U	\$32,136
Fire	00402	Fire App.	1995 Fire Truck Smeal Pumper	\$500,065
Fire	00484	14 Pass. Bus	1978 BlueBird Bus	\$87,550
Fire	00640	Compact X-Cab P/U	1996 Dodge P/U	\$16,995
Fire	00643	Fire App.	1996 Fire Truck Spartan	\$500,065
Fire	00727	3/4 Ton P/U	1998 GMC 1 Ton Pick up	\$32,136
Fire	00867	Fire/Rescue	2001 Int. Rescue Vehicle	\$225,055
Police	00943	Patrol 4-Dr. Sedan	2003 Ford Crown Vic	\$44,007
Police	00944	Patrol 4-Dr. Sedan	2003 Ford Crown Vic	\$44,007
Police	00945	Patrol 4-Dr. Sedan	2003 Ford Crown Vic	\$44,007
Police	00946	Patrol 4-Dr. Sedan	2003 Ford Crown Vic	\$44,007
Police	00948	Patrol 4-Dr. Sedan	2003 Ford Crown Vic	\$44,007
Police	00949	Patrol 4-Dr. Sedan	2003 Ford Crown Vic	\$44,007
Police	00951	Patrol 4-Dr. Sedan	2003 Ford Taurus	\$44,007
Police	00955	Patrol 4-Dr. Sedan	2003 Ford Taurus	\$44,007
Police	00956	Patrol 4-Dr. Sedan	2003 Ford Crown Vic	\$44,007
Police	00962	Patrol 4-Dr. Sedan	2003 Ford Taurus	\$44,007
Police	00963	Patrol 4-Dr. Sedan	2003 Toyota Camry LE	\$44,007
Bldg. Inspect.	00282	Compact X-Cab P/U	1992 Chevy Caprice	\$16,995
Bldg. Inspect.	00296	Compact X-Cab P/U	1991 Ford Ranger	\$16,995
Bldg. Inspect.	00345	Compact X-Cab P/U	1995 Ford F150	\$16,995
Bldg. Inspect.	00346	Compact X-Cab P/U	1995 Ford F150	\$16,995
Bldg. Inspect.	00356	Compact X-Cab P/U	1995 Ford F150	\$16,995
Bldg. Inspect.	00393	Compact X-Cab P/U	1996 Ford F150	\$16,995
Bldg. Inspect.	00434	Compact X-Cab P/U	1995 Ford F150	\$16,995
Bldg. Inspect.	00444	Compact X-Cab P/U	1993 Ford Ranger	\$16,995
Bldg. Inspect.	00445	Compact X-Cab P/U	1994 Ford Ranger	\$16,995
Bldg. Inspect.	00446	Compact X-Cab P/U	1994 Ford Ranger	\$16,995
Bldg. Inspect.	00494	Compact X-Cab P/U	1995 Ford F150	\$16,995
Bldg. Inspect.	00718	Compact X-Cab P/U	1998 Ford F250	\$16,995



Vehicle Assignments Fiscal 2007 (All Being Replaced) (cont.)

Department/ Division	Vehicle Number	Vehicle Type	Year/Make/Model	Suggested Budget
Bldg. Inspect.	00740	Compact X-Cab P/U	1998 Dodge Intrepid	\$16,995
Bldg. Inspect.	00742	Compact X-Cab P/U	1998 Dodge Intrepid	\$16,995
Bldg. Inspect.	00743	Compact X-Cab P/U	1998 Dodge Intrepid	\$16,995
Detention	00705	Patrol 4-Dr. Sedan	1997 Ford Crown Vic	\$44,007
Warrant/Court Svcs	00483	15 Pass. Handicap/Acc. Pris. Bus	1978 BlueBird Bus	\$100,000
Warrant/Court Svcs	00624	44 Pass. Prison Bus	1977 MCI Bus	\$130,000
Warrant/Court Svcs	00688	12 Pass. Prison Van	1997 Dodge Van	\$36,050
Warrant/Court Svcs	00697	Hybrid SUV 4 x 4	1997 Ford Crown Vic	\$27,793
Traffic	00368	36' Aerial Lift	1995 Chevrolet 36' Lift Truck	\$103,000
Traffic	00370	45' Aerial Lift	1995 Chevrolet 45' Lift Truck	\$125,000
Traffic	00654	45' Aerial Lift	1997 GMC Versalift Truck	\$125,000
Roadway	00145	Hybrid SUV 4 x 4	1991 Ford Bronco	\$27,793
Roadway	00383	10 Yd. Dump Truck	1995 Ford LT9000 Dump Truck	\$113,000
Roadway	00384	10 Yd. Dump Truck	1995 Ford LN9000 Dump Truck	\$113,000
Con. Svcs.	00649	One Ton Van	1997 Dodge Maxi Van	\$36,050
Recreation	00653	One Ton Van	1997 Dodge Maxi Wagon	\$36,050
Parks	00005	3/4 Ton P/U	1980 Cevrolet 1-Ton Pick-up	\$23,793
Parks	00359	Compact X-Cab P/U	1995 Ford F150	\$16,995
Parks	00407	3/4 Ton P/U	1996 Ford F150	\$23,793
Parks	00426	Backhoe	1977 Case Backhoe	\$53,401
Parks	00465	3/4 Ton P/U	1982 Chevy P/U	\$23,793
Parks	00676	3/4 Ton P/U	1997 Ford F250	\$23,793
Parks	00678	3/4 Ton P/U	1997 Ford F250	\$23,793
Parks	00679	3/4 Ton P/U	1997 Ford F250	\$23,793
Police	00240	Patrol 4-Dr. Sedan	1991 Chevy Cavalier	\$25,750
Police	00286	Compact X-Cab P/U	1992 Ford Crown Vic	\$16,995
Police	00323	One Ton Van	1989 Ford E250 Van	\$36,050
Police	00369	3/4 Ton P/U	1995 Chevy Pickup 3500	\$32,136
Police	00385	Compact X-Cab P/U	1995 Chevy Pickup	\$26,574
Police	00420	Hybrid SUV 4 x 4	1995 Ford Explorer	\$27,793
Police	00464	3/4 Ton P/U	1986 Ford P/U	\$25,750
Police	00497	Mid-size 4-Dr. Sedan	1995 Chevy Corsica	\$12,362
Police	00498	Mid-size 4-Dr. Sedan	1995 Chevy Corsica	\$12,362
Police	00536	BMW M/cycle	2001 Kawasaki KZ 1000 P20	\$21,115
Police	00538	BMW M/cycle	2001 Kawasaki KZ 1000 P20	\$21,115
Police	00539	BMW M/cycle	2001 Kawasaki KZ 1000 P20	\$21,115
Police	00540	BMW M/cycle	2001 Kawasaki KZ 1000 P20	\$21,115
Police	00541	BMW M/cycle	2001 Kawasaki KZ 1000 P20	\$21,115
Police	00543	BMW M/cycle	2001 Kawasaki KZ 1000 P20	\$21,115
Police	00602	Hybrid SUV	1995 Chevrolet Astro Van	\$25,750
Police	00605	Patrol 4-Dr. Sedan	1996 Ford Crown Vic	\$44,007
Police	00607	Patrol 4-Dr. Sedan	1996 Ford Crown Vic	\$44,007
Police	00608	Patrol 4-Dr. Sedan	1996 Ford Crown Vic	\$44,007
Police	00665	Patrol 4-Dr. Sedan	1997 Ford Crown Vic	\$44,007



Vehicle Assignments Fiscal 2007 (All Being Replaced) (cont.)

Department/ Division	Vehicle Number	Vehicle Type	Year/Make/Model	Suggested Budget
Police	00675	3/4 Ton P/U	1997 Chevrolet Pickup	\$23,793
Police	00713	Compact X-Cab P/U	1998 Ford Crown Vic	\$25,750
Police	00745	Patrol 4-Dr. Sedan	1998 Dodge Intrepid	\$44,007
Police	00746	Patrol 4-Dr. Sedan	1998 Dodge Intrepid	\$44,007
Police	00773	Compact X-Cab P/U	2000 Dodge Intrepid	\$16,995
Police	00774	Compact X-Cab P/U	2000 Dodge Intrepid	\$16,995
Police	00775	Patrol 4-Dr. Sedan	2000 Dodge Intrepid	\$44,007
Police	00776	Patrol 4-Dr. Sedan	2000 Dodge Intrepid	\$44,007
Police	00777	Compact X-Cab P/U	2000 Dodge Intrepid	\$16,995
Police	00781	Patrol 4-Dr. Sedan	2000 Ford Crown Vic	\$44,007
Police	00786	Compact X-Cab P/U	1998 Chevrolet Malibu	\$16,995
Police	00787	Compact X-Cab P/U	1999 Chevrolet Malibu	\$16,995
Police	00792	Patrol 4-Dr. Sedan	2000 Ford Crown Vic	\$44,007
Police	00807	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00808	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00810	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00813	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00817	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00818	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00819	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00827	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00828	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00829	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00831	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00833	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00834	Patrol 4-Dr. Sedan	2001 Ford Crown Vic	\$44,007
Police	00873	Patrol 4-Dr. Sedan	2002 Ford Crown Vic	\$44,007
Police	00881	Patrol 4-Dr. Sedan	2002 Ford Crown Vic	\$44,007
Police	00883	Patrol 4-Dr. Sedan	2002 Ford Crown Vic	\$44,007
Police	00884	Patrol 4-Dr. Sedan	2002 Ford Crown Vic	\$44,007
Police	00885	Patrol 4-Dr. Sedan	2002 Ford Crown Vic	\$44,007
Police	00886	Patrol 4-Dr. Sedan	2002 Ford Crown Vic	\$44,007
Utilities	00115	Backhoe	1982 Case Backhoe 580 D	\$76,856
Utilities	00125	Flat Bed Crane	1982 IHC S1900 Crane	\$137,342
Utilities	00396	3/4 Ton P/U	1996 Ford F150	\$23,793
Utilities	00397	3/4 Ton P/U	1996 Ford F150	\$23,793
Utilities	00615	10 Yd. Dump Truck	1996 Int'l Navistar5Yd Dump	\$113,000
Utilities	00652	3/4 Ton P/U	1996 Chevy P/U	23,793
Grand Total				6,051,600



Self Insurance Reserve Fund

Summary

The Self-Insurance Reserve Fund is used to account for costs incurred in self-insuring liability claims, unemployment and workers compensation programs. The fund also accounts for and accumulates resources to fund accrued sick leave and vacation leave payouts.

In August 1985, the City discontinued its extended comprehensive liability insurance coverage because it was unable to secure satisfactory quotes from insurance companies to continue coverage. Consequently, it was determined that self-funding liability was the only alternative. The City renews the purchase of additional general liability insurance for the period beginning November 1 and ending October 31 of each year. This additional coverage protects the City from financial losses between \$1,000,000 and \$5,000,000.

In January 1994, the City elected to self-fund and manages its workers compensation insurance program with stop-loss insurance coverage for claims over \$1,500,000 in Public Safety and

\$500,000 for all other functions. Prior to then, the City had coverage through the State Industrial Insurance System.

Major Revenues

Interfund charges are budgeted at \$10.3 million; a 17.3% or \$1.5 million increase over 2006 levels. Rates are assessed against all salaries as a means of providing revenues for, and establishing a reserve for workers compensation, liability and employee termination pay expenses.

Major Expenses - Unrestricted Net Asset Basis
Total expenses in the Self-Insurance Fund amount to \$6.5 million, an increase of just over \$300,000 or 4.8% compared to the 2006 amended budget.

The financial statement depicted below illustrates a \$3.8 million increase in unrestricted net assets. Unrestricted net assets are projected at \$7.2 million as of June 2007. The City should continue to increase reserves to avert depletion of the fund's assets resulting from rising liability claims and unfunded mandates such as the heart and lung bill and post retirement benefits.

Self Insurance Fund Statement of Revenues, Expenses and Changes in Unrestricted Net Assets - Fiscal Years 2005-2007

	2004-05 Actual	2005-06 Amended Budget	2006-07 Adopted Budget	2006 vs. 2007 Variance	
Revenue:					
Charges for services	8,338,901	8,793,100	10,312,300	1,519,200	17.3
Miscellaneous	291,121	35,000	40,000	5,000	14.3
Total Revenue	8,630,022	8,828,100	10,352,300	1,524,200	17.3
Expenses:					
Salaries and wages	3,002,066	2,158,000	2,331,499	173,499	8.0
Employee benefits	235,429	182,000	194,912	12,912	7.1
Services and supplies	3,367,387	3,884,300	3,999,120	114,820	3.0
Total Expenses	6,604,882	6,224,300	6,525,531	301,231	4.8
Operating Income	2,025,140	2,603,800	3,826,769	1,222,969	47.0
Income Before Transfers In (Out)	2,025,140	2,603,800	3,826,769	1,222,969	47.0
Transfers in From Other Funds					0.0
Transfers Out to Other Funds					0.0
Change in Unrestricted Net Assets	2,025,140	2,603,800	3,826,769	1,222,969	47.0
Beginning Unrestricted Net Assets	2,595,393	4,620,533	7,224,333	2,603,800	56.4
Ending Unrestricted Net Assets	4,620,533	7,224,333	11,051,102	3,826,769	53.0





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