

Management's Discussion and Analysis

As management of the NAME OF GOVERNMENT, we offer readers of the NAME OF GOVERNMENT's financial statements this narrative overview and analysis of the financial activities of the NAME OF GOVERNMENT for the fiscal year ended June 30, 2027. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-7 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the NAME OF GOVERNMENT exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$179,648,905 (net position). The unrestricted net position, which represents the amounts available to meet the NAME OF GOVERNMENT's ongoing obligations to citizens and creditors, was a deficit of \$59,902,302. The NAME OF GOVERNMENT is committed to provide postemployment benefits to its employees. As a result, the NAME OF GOVERNMENT has recognized substantial liabilities in the financial statements for these benefits. As of June 30, 2027, the NAME OF GOVERNMENT had liabilities of \$88.9 million for postemployment benefits, which has caused the deficit balance in the unrestricted net position.
- The NAME OF GOVERNMENT's total net position decreased \$10,852,934 primarily because postemployment benefit plan expenses incurred during the current period.
- At the close of the current fiscal year, the NAME OF GOVERNMENT's governmental funds reported combined fund balances of \$27,803,570, a decrease of \$13,933,692 in comparison with the prior year. Of this amount, \$11,679,639, or 42%, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$19,161,724, or approximately 15% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the NAME OF GOVERNMENT's basic financial statements. The NAME OF GOVERNMENT's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the NAME OF GOVERNMENT's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the NAME OF GOVERNMENT's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NAME OF GOVERNMENT is improving or deteriorating.

The *statement of activities* presents information showing how the NAME OF GOVERNMENT's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the NAME OF GOVERNMENT that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the NAME OF GOVERNMENT include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the NAME OF GOVERNMENT include a water authority and a transit operation.

The government-wide financial statements include not only the NAME OF GOVERNMENT itself (known as the *primary government*), but also a legally separate urban renewal agency and a legally separate cable television operation for which the NAME OF GOVERNMENT is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Water Authority, although also legally separate, functions for all practical purposes as a department of the NAME OF GOVERNMENT, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 31-32 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The NAME OF GOVERNMENT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the NAME OF GOVERNMENT can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The NAME OF GOVERNMENT maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The NAME OF GOVERNMENT adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 33-37 of this report.

Proprietary Funds. The NAME OF GOVERNMENT maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The NAME OF GOVERNMENT uses enterprise funds to account for its Water Authority and for its transit operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the NAME OF GOVERNMENT's various functions. The NAME OF GOVERNMENT uses internal service funds to account for the management of its retained risks and for its fleet of vehicles. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Authority and for the transit operation, both of which are considered to be major funds of the NAME OF GOVERNMENT. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 38-40 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the NAME OF GOVERNMENT's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The NAME OF GOVERNMENT maintains four different types of fiduciary funds. The *Pension (and other employee benefit) trust funds* are used to report resources held in trust for retirees and beneficiaries covered by the police pension trust fund and the public safety other postemployment benefit trust fund. The *Private-purpose trust fund* is used to report resources held in trust for prisoners to make purchases at the prison canteen. The *Custodial funds* report

resources, not in a trust, that are held by the NAME OF GOVERNMENT for other parties outside of NAME OF GOVERNMENT's reporting entity. One custodial fund, the *external investment pool fund*, accounts for the deposits, withdrawals, and earnings of the local government investment fund, and is separately reported as an external investment pool for local governments.

The fiduciary fund financial statements can be found on pages 41-42 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-104 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the NAME OF GOVERNMENT's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 106-121.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and pension (and other employee benefit) trust funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 124-135 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the NAME OF GOVERNMENT, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$179,648,905, at the close of the most recent fiscal year.

NAME OF GOVERNMENT's Net Position

	Governmental activities		Business-type activities		Total	
	2027	2026	2027	2026	2027	2026
Assets						
Current and other assets	\$ 58,053,771	\$ 64,976,276	\$ 11,338,000	\$ 9,759,615	\$ 69,391,771	\$ 74,735,891
Capital assets	287,294,033	283,764,694	39,978,277	39,818,579	327,272,310	323,583,273
Total assets	345,347,804	348,740,970	51,316,277	49,578,194	396,664,081	398,319,164
Total deferred outflows of resources	10,909,796	12,044,596	98,738	167,014	11,008,534	12,211,610
Liabilities						
Long-term liabilities outstanding	181,002,462	180,254,642	11,368,917	12,458,917	192,371,379	192,713,559
Other liabilities	20,175,107	17,243,349	5,681,748	4,657,192	25,856,855	21,900,541
Total liabilities	201,177,569	197,497,991	17,050,665	17,116,109	218,228,234	214,614,100
Total deferred inflows of resources	9,560,666	5,268,408	234,810	146,427	9,795,476	5,414,835
Net position:						
Net investment in capital assets	204,166,769	211,236,392	28,286,203	28,563,887	232,452,972	239,800,279
Restricted	7,098,235	7,147,294	-	-	7,098,235	7,147,294
Unrestricted	(65,745,639)	(60,364,519)	5,843,337	3,918,785	(59,902,302)	(56,445,734)
Total net position	\$ 145,519,365	\$ 158,019,167	\$ 34,129,540	\$ 32,482,672	\$ 179,648,905	\$ 190,501,839

Current and other assets decreased in governmental activities by \$6.9 million from the prior year. In an effort to keep tax increases to a minimum, the NAME OF GOVERNMENT used cash reserves to pay for operations.

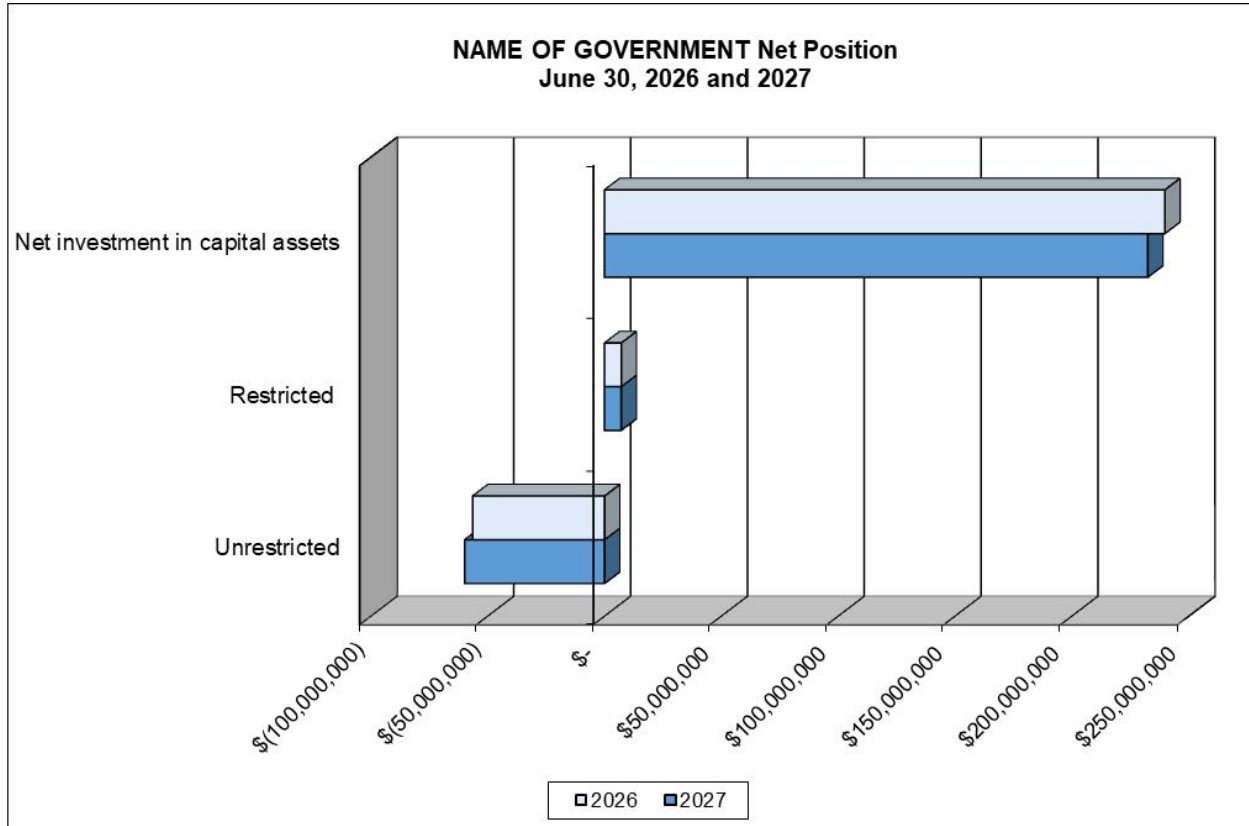
Other liabilities in governmental activities increased \$2.9 million from the previous year due to the increase to short-term bond anticipation notes. During the current year, the NAME OF GOVERNMENT issued \$5.4 million in short-term capital borrowings to finance various capital projects throughout the NAME OF GOVERNMENT. The increase in bond anticipation notes was partially offset by the reduction of accounts payable. The NAME OF GOVERNMENT implemented a new vendor payment system in fiscal year 2026 which has significantly reduced the time to pay for vendors for goods and services.

Long-term liabilities, which consist of bonds, notes, leases, compensated absences and postemployment benefit obligations, decreased slightly by \$0.3 million from the previous year for governmental and business-type activities combined. The NAME OF GOVERNMENT's net OPEB liability decreased \$1.4 million due to the decrease in the NAME OF GOVERNMENT's share of the state's other postemployment benefits healthcare plan liability. The decrease in OPEB liability was offset by the \$1.7 million increase in the NAME OF GOVERNMENT's total pension liability for the firefighters pension plan, which is not prefunded.

By far, the largest portion of the NAME OF GOVERNMENT's net position, \$232,452,972, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The NAME OF GOVERNMENT uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the NAME OF GOVERNMENT's investment in capital assets is reported net

of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the NAME OF GOVERNMENT’s net position, \$7,098,235 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the NAME OF GOVERNMENT’s the unrestricted net position was a deficit balance of \$59,902,302. The deficit is caused primarily by the approximately \$88.9 million in postemployment liabilities for the NAME OF GOVERNMENT’s three pension plans (\$449.7 million) and two other postemployment benefit plans for retiree healthcare (\$39.2 million).



The NAME OF GOVERNMENT’s overall net position decreased \$10,852,934 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

NAME OF GOVERNMENT's Changes in Net Position

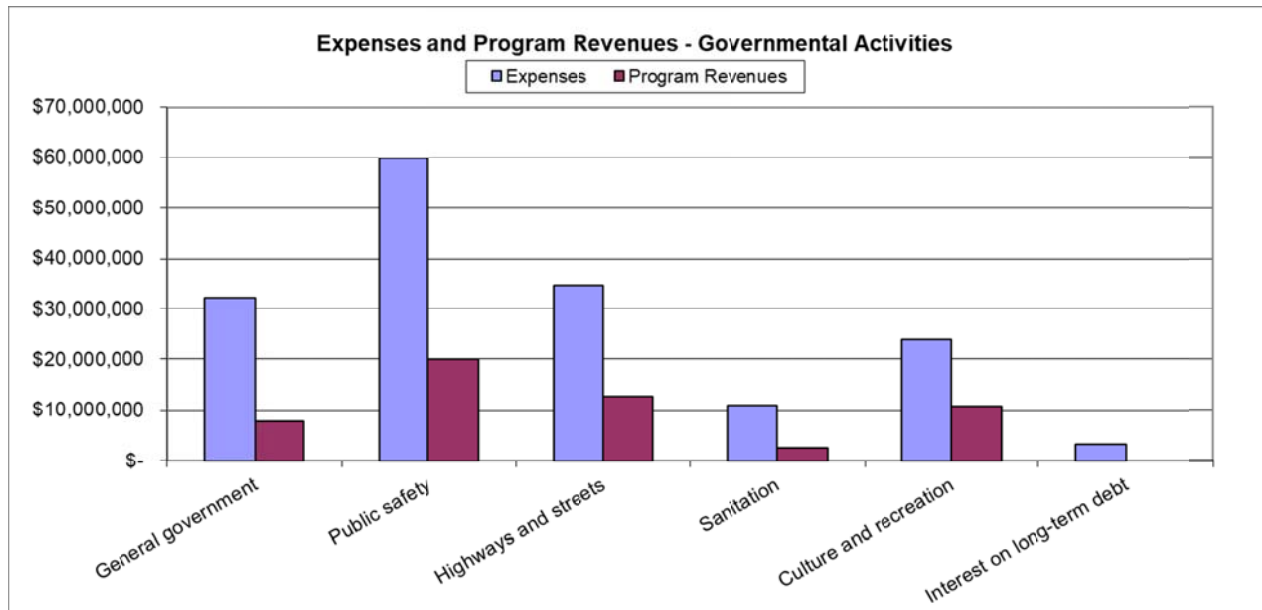
	Governmental activities		Business-type activities		Total	
	2027	2026	2027	2026	2027	2026
Revenues:						
Program revenues:						
Charges for services	\$ 38,104,848	\$ 40,041,828	\$ 10,384,139	\$ 9,426,262	\$ 48,488,987	\$ 49,468,090
Operating grants and contributions	13,063,349	12,827,195	401,441	270,202	13,464,790	13,097,397
Capital grants and contributions	2,948,696	5,876,009	1,178,126	839,053	4,126,822	6,715,062
General revenues:						
Property taxes	45,060,105	43,705,394	-	-	45,060,105	43,705,394
Other taxes	45,906,698	47,486,710	-	-	45,906,698	47,486,710
Payments in lieu of taxes	2,345,545	2,288,147	-	-	2,345,545	2,288,147
Grants and contributions not restricted to specific programs	1,753,982	1,692,600	-	-	1,753,982	1,692,600
Other	6,899,463	4,914,208	287,010	418,677	7,186,473	5,332,885
Total revenues	<u>156,082,686</u>	<u>158,832,091</u>	<u>12,250,716</u>	<u>10,954,194</u>	<u>168,333,402</u>	<u>169,786,285</u>
Expenses:						
General government	32,213,528	31,817,571	-	-	32,213,528	31,817,571
Public safety	59,832,918	59,427,149	-	-	59,832,918	59,427,149
Highways and streets	34,754,879	35,029,059	-	-	34,754,879	35,029,059
Sanitation	10,909,333	9,914,570	-	-	10,909,333	9,914,570
Culture and recreation	23,899,850	25,023,265	-	-	23,899,850	25,023,265
Interest on long-term debt	3,243,771	2,838,043	-	-	3,243,771	2,838,043
Water	-	-	8,357,103	8,356,237	8,357,103	8,356,237
Transit	-	-	5,974,954	5,762,334	5,974,954	5,762,334
Total expenses	<u>164,854,279</u>	<u>164,049,657</u>	<u>14,332,057</u>	<u>14,118,571</u>	<u>179,186,336</u>	<u>178,168,228</u>
Increase (decrease) in net position before transfers	<u>(8,771,593)</u>	<u>(5,217,566)</u>	<u>(2,081,341)</u>	<u>(3,164,377)</u>	<u>(10,852,934)</u>	<u>(8,381,943)</u>
Transfers	(3,728,209)	(3,604,638)	3,728,209	3,604,638	-	-
Increase (decrease) in net position	<u>(12,499,802)</u>	<u>(8,822,204)</u>	<u>1,646,868</u>	<u>440,261</u>	<u>(10,852,934)</u>	<u>(8,381,943)</u>
Net position – beginning	158,019,167	166,841,371	32,482,672	32,042,411	190,501,839	198,883,782
Net position – ending	<u>\$ 145,519,365</u>	<u>\$ 158,019,167</u>	<u>\$ 34,129,540</u>	<u>\$ 32,482,672</u>	<u>\$ 179,648,905</u>	<u>\$ 190,501,839</u>

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$12,499,802 from the prior fiscal year for an ending balance of \$145,519,365. While the current recession certainly had an impact on the NAME OF GOVERNMENT, management was able to take various actions (e.g., increasing rates for certain revenue sources, delaying certain nonrecurring expenses, reducing expenses related to non-essential ongoing programs in the culture and recreation function) that neutralized its effect on governmental activities. The decrease in the overall net position of governmental activities is primarily due to the \$12.7 million in postemployment benefit expense incurred during the current year that will provide pensions and health care benefits to current and future retirees and their eligible spouses and dependents during the life of the retiree.

Revenues decreased \$2.7 million from the prior year due a \$2.9 million decrease in capital grants. The state and federal government has decreased their funding for infrastructure projects as a result of the most recent budget reductions. Property taxes remain the largest source of revenue at \$45.1 million for the current fiscal year. The assessed valuations have remained constant since 2018, however the rate charged to property owners has risen from \$89.15 in 2018 to \$147.48 in the current year.

Expenses grew slightly during the current year, increasing from \$164.0 million in the prior year to \$164.9 million in the current year. The most significant increases, of was \$1.0 million in the sanitation function and \$0.4 million in public safety, are due primarily to increased labor costs as a result of new contracts with uniform police and sanitation workers, and the expansion of the NAME OF GOVERNMENT’s recycling program. An increase in interest on long-term debt, also of \$0.4 million, resulted from interest on additional general obligations bonds issued in 2026 and notes privately placed in 2027, both of which support capital improvements which are discussed further in the section on the capital projects fund. These increases were partially offset by a \$1.1 million decrease in culture and recreation due to lower maintenance costs for the parks. The savings was generated by lower costs charged by new contact service provider, and completion early in the year of several major playground maintenance projects.

As shown in the chart below, revenues generated by the NAME OF GOVERNMENT’s programs are not sufficient to cover the costs. The NAME OF GOVERNMENT relies on property taxes, sales taxes, investment income and other general revenues to cover the costs associated with the various programs.



Business-type Activities. For the NAME OF GOVERNMENT’s business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$34,129,540. The total increase in net position for business-type activities (water and transit funds) was \$1,646,868 or 5.1% from the prior fiscal year. The growth, in large part, is attributable to a 5% water rate increase enacted for the fiscal year 2026-2027 budget. As a result, revenues from water activity charges for services increased \$922,179, over the previous year’s amount. An additional cause for the overall increase was the receipt of a capital grant of \$250,000 restricted for use in purchasing upgraded vehicles for the transit operation.

Financial Analysis of Governmental Funds

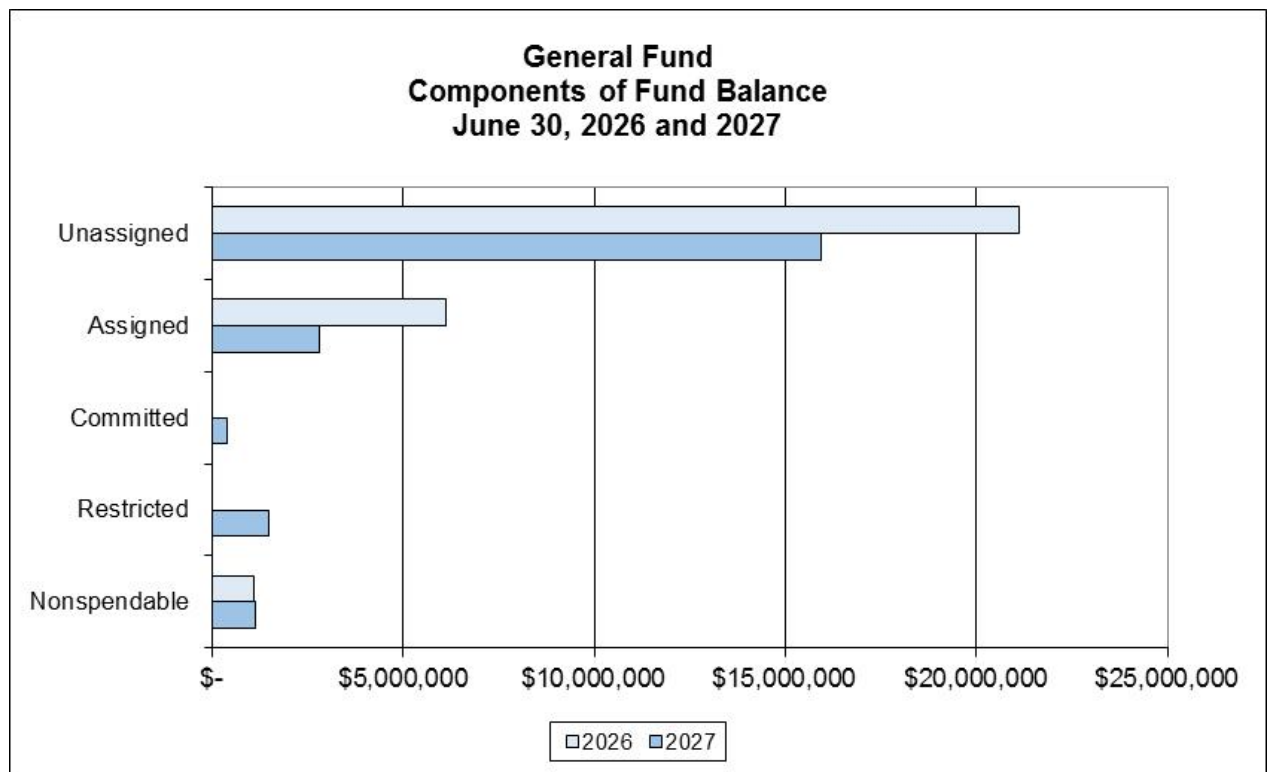
As noted earlier, the NAME OF GOVERNMENT uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the NAME OF GOVERNMENT’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the NAME OF GOVERNMENT’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the NAME OF GOVERNMENT itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the NAME OF GOVERNMENT’s Council.

At June 30, 2027, the NAME OF GOVERNMENT’s governmental funds reported combined fund balances of \$27,803,570, a decrease of \$13,933,692 in comparison with the prior year. Of this amount, \$11,679,639, or 42%, constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is (1) not in spendable form, \$1,145,499; (2) not spendable because it is legally required to be maintained intact, \$10,000; (3) restricted for particular purposes, \$10,179,892; (4) committed for particular purposes, \$1,980,153; or (5) assigned for particular purposes, \$2,808,387.

Analysis of Individual Funds

The general fund is the chief operating fund of the NAME OF GOVERNMENT. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,945,960, while total fund balance decreased to \$21,806,609. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 12.5% of total general fund expenditures, while total fund balance represents 17.2% of that same amount.



The fund balance of the NAME OF GOVERNMENT's general fund decreased by \$6,565,817 during the current fiscal year. As discussed earlier in connection with governmental activities, the decrease was due to the contributions made by the NAME OF GOVERNMENT to the pension and other employee benefit healthcare plans. The actual total contributions made during the year from the general fund were approximately \$12.0 million.

The capital projects fund, a major fund, had an \$8,258,317 decrease in fund balance during the current fiscal year which put the overall fund balance in a deficit position for the amount of \$2,191,321. The fund reports an even larger deficit of unassigned fund balance, -\$4,266,321, because of amounts restricted, \$875,000, and committed, \$1,200,000, for a special assessment project that began during the current fiscal year.

The large decrease in fund balance was caused mainly by the spending of resources obtained through the issuance of long-term debt in the prior period on capital acquisition and construction in the current period. That is, the fund balance that resulted from the previous long-term debt issuance was spent down during the current period as the related capital projects progressed.

Another reason for the decrease in fund balance for the current year was the use of short-term debt. In the case of the capital projects fund, bond anticipation notes (BANS) were issued to finance expenditures of certain capital projects. When issued, short-term BANS are reported as a liability on the balance sheet, with no effect on fund balance (i.e., proceeds = liability for debt). However, as the proceeds are spent, the related expenditures cause a decrease in fund balance. BANS in the amount of \$6,905,200 remained outstanding and were reported as a liability in the capital projects fund at year end, while only \$2,638,879 of the proceeds remained unspent. The difference between these two amounts, -\$4,266,321, is the amount reported as the deficit in unassigned fund balance in the capital projects fund at the end of the year.

It is NAME OF GOVERNMENT's intent to issue long-term bonds to replace the BANS. The issuance of the bonds will eliminate both the unassigned and the overall fund balance deficit in the capital projects fund.

The debt service fund, the remaining major governmental fund, had an increase in fund balance during the current year of \$777,988 to bring the year end fund balance to \$1,895,993. The increase primarily results from a special assessment project that began during the current year. First, a debt service restriction of \$846,000 was established in the debt service fund through a transfer from the capital projects fund. Second, the first installment of the special assessment receivable, \$470,000, was collected, along with related interest of \$188,000. The NAME OF GOVERNMENT was able to use available cash to advance refund \$500,000 of outstanding bonds during current year. The total increase in fund balance from these three amounts is \$1,504,000. The overall increase for the year did not reach this amount because a portion of the fund balance at the beginning of the year was used for debt service payments during the year.

Proprietary Funds. The NAME OF GOVERNMENT's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Authority at the end of the year was \$4,994,426 and for the transit operation was \$588,590. The total growth in net position for each of the funds was \$1,407,911 and \$259,190, respectively. As noted earlier in the discussion of business-type activities, the increase for the Water Authority results from a 5% water rate increase in the current year and a capital grant of \$250,000 resulted in the growth reported by the transit operation.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant. The exception was the appropriation for the Council department in the general government function, which was increased to \$2,033,040.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source	Estimated revenues	Actual revenues	Difference
Licenses and permits	\$ 4,166,256	\$ 2,649,889	\$ (1,516,367)
Intergovernmental	11,414,391	9,705,931	(1,708,460)
Charges for services	17,738,732	19,107,871	1,369,139
Investment earnings	1,258,200	3,352,747	2,094,547

The shortfalls in the above revenue sources were caused by the recession experienced during the current year. Licenses and permits were less than estimated because there were less of these items purchased, particularly in the case of business licenses and building permits. Intergovernmental is the classification used to report grant revenues. The recession impacted the state and most other general and special-purpose governments. Accordingly, the grants that these other governments were able to provide were less than expected. Actual grants from the state were approximately \$1,250,000 less than estimated while grants from other governments were approximately \$500,000 less.

Over the last decade the NAME OF GOVERNMENT has worked to identify and implement more charges for various programs and activities. This has included certain housing programs, but has been especially true in the case of various cultural activities (e.g., performing arts) and recreational activities (e.g., use of recreational facilities such as swimming pools, indoor basketball courts, charges for night time lighting of outdoor facilities). The goal of this effort was to increase the percentage of total revenues that are provided by this classification. As discussed in the letter of transmittal this effort has been moderately successful in increasing the proportion of total revenues of governmental funds that results from these charges.

Ironically, the *increase* in investment earnings is also attributable to the current recession. As noted earlier in the discussion about governmental activities, actions were taken during the year to help

mitigate the negative impact of the economic downturn. The result of these actions (e.g., delaying the payment of nonrecurring expenditures/expenses) the cash balance available for investment throughout much of the year was a significantly larger than anticipated. Moreover, in some cases it was possible to invest these amounts for longer periods, which also enhanced total investment earnings for the year.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances with one exception. Actual expenditures for the protective inspection department within the public safety function, \$1,685,839, exceeded the related appropriation of \$1,664,092, by \$21,747. While the overspending of this appropriation (by up to \$100,000) is authorized by law in cases involving imminent public endangerment (e.g., the need to inspect properties with damage from collision, natural disaster, fire, or water to determine their inherent stability), such overspending is still considered a budgetary violation. Furthermore, the overspending affects the subsequent year's budget. That is, the amount of the overspending caused by situations involving imminent public endangerment automatically decreases the portion of the protective inspective appropriation for the subsequent year that relates to routinely scheduled inspections.

This year's overspending was, in fact, caused by imminent public endangerment cases. Accordingly, the violation is displayed on the face of the *General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* and is disclosed in the notes to the financial statements. The necessary adjustment was made to the appropriation that was legally adopted for the subsequent year's budget.

Capital Assets and Debt Administration

Capital assets. The NAME OF GOVERNMENT's investment in capital assets for its governmental and business-type activities as of June 30, 2027, amounts to \$327,272,310 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, intangibles, and the water treatment plant. The total increase in capital assets for the current fiscal year was 1.1%.

NAME OF GOVERNMENT's Capital Assets (net of depreciation/amortization)

	Governmental activities		Business-type activities		Total	
	2027	2026	2027	2026	2027	2026
Land	\$ 50,067,172	\$ 50,067,172	\$ 1,911,400	\$ 1,911,400	\$ 51,978,572	\$ 51,978,572
Construction in progress	9,870,118	22,974,097	5,363,783	6,726,334	15,233,901	29,700,431
Buildings	132,720,452	113,431,112	7,534,014	5,851,282	140,254,466	119,282,394
Machinery, equipment, and vehicles	12,968,496	11,740,088	3,767,352	3,193,858	16,735,848	14,933,946
Right-to-use leased equipment	53,591	-	-	-	53,591	-
Infrastructure	81,614,204	85,552,225	-	-	81,614,204	85,552,225
Water distribution system	-	-	21,401,728	22,135,705	21,401,728	22,135,705
Total	\$ 287,294,033	\$ 283,764,694	\$ 39,978,277	\$ 39,818,579	\$ 327,272,310	\$ 323,583,273

Major capital assets events during the current fiscal year included the following:

- Various projects related to streets, sidewalks, and storm water drains at a cost of \$4,847,666.
- A new parking garage with construction costs of \$4,483,790 was completed and placed in service during the current year.
- Other parking structure and parking lot rehabilitation at a total cost of \$2,047,220.
- Completion of renovations to various fire protection facilities at a cost of \$7,222,315.
- Public safety dispatch upgrades and renovations to police and fire facilities (construction in progress as of the close of the fiscal year had reached \$2,517,168).
- Completion of an expanded maintenance facility for the transit operation during the current year at a cost of \$2,150,249.
- The purchase of various vehicles and equipment at a total cost of \$4,741,410.

Additional information on the NAME OF GOVERNMENT's capital assets can be found in Note IV.E of this report.

Long-term Debt. At the end of the current fiscal year, the NAME OF GOVERNMENT had total bonded debt outstanding of \$87,095,000. Of this amount, \$82,395,000 is debt backed by the full faith and credit of the government and \$4,700,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the NAME OF GOVERNMENT's long-term obligations is comprised of notes and leases payable.

NAME OF GOVERNMENT's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2027	2026	2027	2026	2027	2026
General obligation bonds	\$ 72,352,863	\$ 77,994,507	\$ 10,042,137	\$ 11,069,820	\$ 82,395,000	\$ 89,064,327
Special assessment bonds with governmental commitment	4,700,000	-	-	-	4,700,000	-
Notes payable	2,000,000	-	-	-	2,000,000	-
Leases payable	49,587	-	-	-	49,587	-
Total	\$ 79,102,450	\$ 77,994,507	\$ 10,042,137	\$ 11,069,820	\$ 89,144,587	\$ 89,064,327

The NAME OF GOVERNMENT's total debt increased by \$80,260 (0.1%) during the current fiscal year. The following are the reasons for the overall increase.

During the current year the NAME OF GOVERNMENT entered into a new lease for capital equipment for \$57,517. The NAME OF GOVERNMENT issued a private placement note of \$2,000,000 to be used to purchase vehicles for various departments throughout the government. The NAME OF GOVERNMENT also issued special assessment debt with governmental commitment with a face value of \$4,700,000. The new issuances were offset by the regularly scheduled principal reductions on the existing outstanding debt.

In addition to the new debt issuances, the NAME OF GOVERNMENT issued general obligation bonds to refinance previously outstanding general obligation bonds reported in governmental activities. This refinancing was done to take advantage of favorable interest rates. The result is expected to be a decrease in future debt service payments of \$327,142. The NAME OF GOVERNMENT also used available cash advance refund \$500,000 of outstanding bonds.

The NAME OF GOVERNMENT and its Water Authority both maintained “AA” ratings from Standard & Poor’s and Fitch Ratings and “Aa” ratings from Moody’s Investors Service for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of the average full valuation of taxable property within the jurisdiction. The current debt limitation for the NAME OF GOVERNMENT is \$654,486,768, which is significantly in excess of the NAME OF GOVERNMENT’s outstanding general obligation debt.

Additional information on the NAME OF GOVERNMENT’s long-term debt can be found in Note IV.M of this report.

Economic Factors and Next Year’s Budgets and Rates

The following economic factors currently affect the NAME OF GOVERNMENT and were considered in developing the 2027-2028 fiscal year budget.

- The unemployment rate for the NAME OF GOVERNMENT is currently 7.1%, which is a significant increase from a rate of 4.6% a year ago because of the current recession.
- While the unemployment rate is likely to decrease, it is not expected to reach the prerecession level for several years.
- A 2% increase in water rates beginning July 1, 2027 anticipates current and future expenditure increases due to additional state and federal water quality mandates.
- A property tax rate increase of 6.5% to fund increases in recurring expenditure obligations.
- An increase in the rates on the NAME OF GOVERNMENT’s current fee schedule.
- Several new revenue sources were enacted in the 2027-28 budget year, including a fire inspection fee on commercial and multi-family dwellings, a livery vehicle fee, and a room occupancy tax on hotel rooms and similar lodgings.
- Declines in the taxable assessed value as a percentage of estimated actual value and resulting decreases in property assessments will continue to affect the NAME OF GOVERNMENT’s real property tax base.
- Declines in housing prices and sales are expected to continue throughout the fiscal year, further straining mortgage tax revenues and assessed values.
- Interest rates are expected to remain at record low levels throughout fiscal year 2027-2028.
- On the expenditure side, increases are expected in health insurance premiums, as well as pension and other employee benefit costs.
- The NAME OF GOVERNMENT continues to purchase a catastrophic liability insurance policy to protect itself from unforeseen losses in excess of \$1 million.
- The NAME OF GOVERNMENT’s daytime population exceeds 300,000 persons a day, requiring twenty-four hour services for residents and non-residents alike.
- Departmental budget reductions were implemented in recognition of the decline in revenues as a result of the current recession.
- Contract settlements with all of the NAME OF GOVERNMENT’s remaining unions.

At the end of the current fiscal year, the unassigned fund balance in the general fund was \$15,945,960. The NAME OF GOVERNMENT has appropriated \$2,215,728 of this amount for spending in the 2027-2028 fiscal year budget. This action was taken as an additional measure to mitigate the impact of the recession on the 2027-2028 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the NAME OF GOVERNMENT's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 7529 West Kilwood Street, NAME OF GOVERNMENT, STATE, ZIP CODE.