

Are these really "gifts" from developers or "fees"?

Since they are really fees, are they justified, fair, reasonable, and equally applied?
What are the fee rates? What is the criteria and formulas for the fees?

**Financial Report by Independent Auditors – Hansen, Barnett & Maxwell
Paul O. Skeen, CPA & Ross Youngberg, CPA**

Paul Skeen, CPA, audit manager at Hansen, Barnett & Maxwell, made a report to the committee. He reported that Hansen & Barnett & Maxwell had rendered an unqualified opinion on the combined financial statements for the period ending June 30, 2006. He also covered the other required communications from the outside auditor to the committee by reporting that there were no disagreements with management and Public Utilities provided excellent cooperation and assistance in performing the audit. He referenced to the significant changes which have been required under the new governmental accounting standards and referenced the committee to Management's Discussion and Analysis, a new required section in the report that contains an excellent overview of financial highlights. He discussed the responsibility of the City in relationship to the financial statements and stating the independence of the auditor. He stated that there were no matters involving the internal controls and its operation that they considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. There were no questions from the committee for Mr. Skeen.

Merrriam Webster's Collegiate Dictionary 10th Edition defines donate: "To make a gift of, to contribute to a public or charitable cause."

Mr. Jim Lewis – Thanked the Financial Auditors for their remarks. Mr. Lewis stated that the dollar amount of \$24 million increase in net revenue is correct, however he stated with the change in accounting rules two years ago contributions donated by developers of \$9.2 million are now included in the net revenue amount. He then stated that all three funds ended the year in good financial condition due to the effect of the improving economy and the drier and hotter spring of 2006.

Mr. Lewis presented a chart showing water deliveries by year for 1984 thru 2006, the chart depicted that water deliveries have decreased each of the last prior five years, with an increase this last year. The next chart presented listed operating revenue for water, sewer and stormwater for years 1985 thru 2006. Mr. Lewis stated that water sales increased this last year by 10% over last year due to the hotter and drier spring. He stated that sewer revenues are looking better and are no longer as flat as they were over the last four years. Due to the last set of sewer rate increases, rates are now equal to rates that were in effect in 1985. He then presented a slide showing sewer revenue over the last seven years and that forecasted over the next three years. Mr. Lewis stated that this chart depicts good news and bad news. The bad news is revenues are about \$3 million below our original estimates due to lower water usage and companies changing their use patterns. The good news is the flows to the existing treatment plant have decreased over the last five years and will allow us to delay the construction of the future sewer treatment plant. The next slide presented operating costs by year for the year 1999 thru 2006. Mr. Lewis stated that all three funds continued to control costs with the Storm