Operating Position:
Numbers 16 - 20
FY 2001 - FY 2010

Changes in the operating position can be monitored by the use of the following indicators:

- Excess of Revenues Over Expenditures
- Enterprise Retained Earnings/Loss
- General Fund Balance
- Liquidity
- Revenues Over Expenditures/Expenses
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Operating position refers to a city's ability to:

1. balance its budget on a current basis,
2. maintain reserves for emergencies,
3. maintain sufficient cash to pay bills on a timely basis (liquidity).

**Balancing the Current Budget**

During a typical year, a city will usually generate either an operating surplus or an operating deficit. An operating surplus develops when current revenues exceed current expenditures; a deficit develops when the reverse occurs. An operating surplus or deficit may be created intentionally as a result of a conscious policy decision, or unintentionally because of imprecise revenue and expenditure forecasts.

**Reserves**

Reserves are built through the accumulation of operating surpluses. Such reserves are maintained to meet various unforeseen contingencies as follows:

-- Loss of a revenue source,
-- Economic pressures from a downturn in economy,
-- Unanticipated expenditures due to losses from a natural disaster not covered by insurance or external aid.

**Liquidity**

Liquidity refers to the flow of cash in and out of the city treasury. Cities often receive the bulk of their revenues at infrequent intervals during the year. It is to a city's advantage to have good liquidity in the event of an unexpected delay in receipt of revenues, an unexpected decline, or a loss of a revenue source.

An analysis of operating position can identify the following problems should they occur:

-- Emergence of deficits,
-- Decline in liquidity,
-- Unintended decline in reserves.
Indicator 16

EXCESS OF REVENUES OVER EXPENDITURES:
General Fund

Warning Trend:
Increasing Amount of General Fund
Operating Deficits as a Percent of
Operating Revenues and Transfers

Formulation:
General Fund Operating
(Deficits)/Surpluses
Over Operating Revenues and
Transfers

### Formulation Table

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Fund Operating Surplus/(Deficit)*</th>
<th>Operating Revenues &amp; Transfers **</th>
<th>General Fund Operating Surplus/(Deficit) As A Percentage Of Operating Rev. &amp; Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$3,011,397</td>
<td>$48,665,665</td>
<td>6.19%</td>
</tr>
<tr>
<td>2002</td>
<td>$803,846</td>
<td>$51,593,618</td>
<td>1.56%</td>
</tr>
<tr>
<td>2003</td>
<td>$1,891,263</td>
<td>$54,210,002</td>
<td>3.49%</td>
</tr>
<tr>
<td>2004</td>
<td>$1,745,541</td>
<td>$58,238,591</td>
<td>3.00%</td>
</tr>
<tr>
<td>2005</td>
<td>($1,147,015)</td>
<td>$60,917,104</td>
<td>-1.88%</td>
</tr>
<tr>
<td>2006</td>
<td>$1,213,384</td>
<td>$66,716,295</td>
<td>1.82%</td>
</tr>
<tr>
<td>2007</td>
<td>$487,116</td>
<td>$70,693,991</td>
<td>0.69%</td>
</tr>
<tr>
<td>2008</td>
<td>$6,056,104</td>
<td>$78,898,068</td>
<td>7.68%</td>
</tr>
<tr>
<td>2009</td>
<td>($247,378)</td>
<td>$77,275,976</td>
<td>-0.32%</td>
</tr>
<tr>
<td>2010</td>
<td>$945,091</td>
<td>$79,023,392</td>
<td>1.20%</td>
</tr>
</tbody>
</table>

Notes:
* Not including encumbrances or appropriated fund balance
** Operating Revenues and Transfers: General Fund Revenues plus Operating Transfers from Other Funds and Increase in Obligations
   Under Capital Leases and Appropriated Fund Balance where applicable.

Description:

An operating deficit will occur as operating expenditures exceed operating revenues. However, this does not necessarily mean the budget will be out of balance. Reserves (fund balances) and transfers are sometimes used to cover the difference. Continuing use of reserves and the unjustifiable transfer of funds to balance the deficit may indicate a revenue/expenditure problem.

The existence of an operating deficit in one year is not cause for concern, but frequent and increasing deficits can indicate that current revenues are not supporting current expenditures, and that serious problems may lie ahead.
Credit Industry Benchmarks:

A current year operating deficit would be considered a minor warning signal, and the reasons and manner of funding would be carefully examined before it was even considered a negative factor. However, the following situations would be looked at with considerably more attention and would probably be considered negative factors:

1. Two consecutive years of operating fund deficits.
2. A current year deficit greater than the previous year's deficit.
3. A current operating fund deficit in two or more of the last five years.
4. An abnormally large deficit (5% to 10% of operating revenues) in any one year.

Analysis:

For the period shown, there have been two years (FY 2005 and FY 2009) where there was a deficit. Each year the City plans to draw down on fund balance through the appropriations of fund balance, always making sure a 16% balance is maintained. While the deficit is significant in two of the three years listed, it should be noted that the amount is still considerably below the amount budgeted for appropriated fund balance. For FY 2010 Management worked toward keeping the deficit at a minimum. The appropriated fund balance for FY 2010 is $3,627,974. Management and the City Council will continue to closely monitor this indicator. The City is exploring additional revenues for increasing the revenue base.

According to Fiscal and Budget Policies adopted by Council, the City will calculate an unreserved, undesignated fund balance equal to 16% of expenditures for the adopted budget. These funds will be used to avoid cash flow interruptions, generate interest income and assist in maintaining what is considered an investment grade bond rating capacity.

Sources:

- Prior to FY 2004 City of Columbia Comprehensive Annual Financial Reports, Exhibits B-2 and B-3
- FY 2002 to present City of Columbia Financial Management Information Supplement, Exhibits B-2 and B-3

Notes:
Indicator 17

ENTERPRISE RETAINED EARNINGS/LOSS

Warning Trend:
Consistent Enterprise Losses
(Constant Dollars)

Formulation:

Enterprise Retained Earnings/Losses
(Constant Dollars)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Income Transferred To Enterprise Fund Retained Earnings</th>
<th>Consumer Price Index</th>
<th>Enterprise Fund Net Income Transferred To Retained Earnings In Constant Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$16,788,902</td>
<td>177.1</td>
<td>$9,479,899</td>
</tr>
<tr>
<td>2002</td>
<td>$15,938,530</td>
<td>179.9</td>
<td>$8,859,661</td>
</tr>
<tr>
<td>2003</td>
<td>$8,193,498</td>
<td>184.0</td>
<td>$4,452,988</td>
</tr>
<tr>
<td>2004</td>
<td>$10,917,443</td>
<td>188.9</td>
<td>$5,779,483</td>
</tr>
<tr>
<td>2005</td>
<td>$18,889,170</td>
<td>195.3</td>
<td>$9,671,874</td>
</tr>
<tr>
<td>2006</td>
<td>$16,601,890</td>
<td>201.6</td>
<td>$8,235,064</td>
</tr>
<tr>
<td>2007</td>
<td>$27,525,705</td>
<td>207.3</td>
<td>$13,278,198</td>
</tr>
<tr>
<td>2008</td>
<td>$16,046,454</td>
<td>215.3</td>
<td>$7,452,963</td>
</tr>
<tr>
<td>2009</td>
<td>$8,449,881</td>
<td>214.5</td>
<td>$3,938,659</td>
</tr>
<tr>
<td>2010</td>
<td>$19,066,432</td>
<td>218.1</td>
<td>$8,743,824</td>
</tr>
</tbody>
</table>

Notes:

Since 1998 the Bureau of Labor Statistics (BLS) has used 1984=100 when computing the Consumer Price Index. Prior to that BLS used 1967=100. The city decided to convert in 2007 since there was 10 years worth of data to use for comparison.

FY 2001 shows an 8.9 million dollar increase due to GASB 33 requiring for the first time, that contributions be listed on the income statement as revenues.

Description:

Enterprise losses are a special and highly visible type of operating deficit. Losses indicate problems since enterprises are expected to function as if they were commercially operated as a “for-profit” entity, as opposed to a not-for-profit” entity. In times of economic strain, most cities can usually raise taxes to support general fund programs. For the Enterprise Fund Programs, however, the situation can be different. Administration may raise rates, but find that revenues do not increase accordingly since the user of the service may cut back on use. Enterprises are typically more subject to the market laws of supply and demand.

In addition, Enterprise Operations are usually capital intensive and often need to issue Revenue Bonds to finance necessary capital improvements and additions. The interest rates and covenants associated with the issuance of such bonds can be significantly affected by the operating position of the enterprise.
Analysis:

There have not been any Enterprise Losses in constant dollars for the period shown. Therefore, there is no warning trend for this indicator. The large increase in FY 2001 is due to the adoption of GASB Statement No. 33 which requires all contributions to be recognized as a revenue when reporting on the income statement. Therefore, due to large contributions in the Airport Fund, Sanitary Sewer Fund, and Public Transportation Fund, from other governmental units, the net income transferred to retained earnings increased substantially.

The large increase in 2005 and 2007 is partially due to the sale of S02 allowances and contributed capital.

The large increase in 2010 was partially due to stimulus money for transit and railroad capital.

The City's Enterprise operations are in a very strong financial position and appear to be continuing to operate in a similar manner.

This is further evidenced by the following bond ratings:

- Water and Electric Utility Revenue Bonds --"AA" Moodys
  --"AA" Standard and Poor's
- Sewer Utility Revenue Bonds --"A1" Moodys
  --"AA-" Standard and Poor's
- Parking Revenue Bonds --NR

Sources:

--Prior to FY 2002 City of Columbia Comprehensive Annual Financial Reports, Exhibit F-2
--FY 2002 to present City of Columbia Financial Management Information Supplement, Exhibit F-2
--http://www.stats.bls.gov
--Consumer Price Index are annual archived numbers from the Bureau of Labor.
Indicator 18

GENERAL FUND BALANCES

Warning Trend:
Declining Unreserved Fund Balance of General Fund as a Percent of Net Operating Revenues

Formulation:
General Fund Unreserved Fund Balance
Operating Revenues and Transfers

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Fund Unreserved/Undesignated Fund Balance</th>
<th>Operating Revenues &amp; Transfers *</th>
<th>Fund Balance As A Percent Of Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$10,274,719</td>
<td>$48,665,665</td>
<td>21.1%</td>
</tr>
<tr>
<td>2002</td>
<td>$10,429,820</td>
<td>$51,593,618</td>
<td>20.2%</td>
</tr>
<tr>
<td>2003</td>
<td>$11,489,854</td>
<td>$54,210,002</td>
<td>21.2%</td>
</tr>
<tr>
<td>2004</td>
<td>$12,149,115</td>
<td>$58,238,591</td>
<td>20.9%</td>
</tr>
<tr>
<td>2005</td>
<td>$11,522,093</td>
<td>$60,917,104</td>
<td>18.9%</td>
</tr>
<tr>
<td>2006</td>
<td>$12,987,278</td>
<td>$66,716,295</td>
<td>19.5%</td>
</tr>
<tr>
<td>2007</td>
<td>$11,408,301</td>
<td>$70,693,991</td>
<td>16.1%</td>
</tr>
<tr>
<td>2008</td>
<td>$16,381,657</td>
<td>$78,898,068</td>
<td>20.8%</td>
</tr>
<tr>
<td>2009</td>
<td>$17,816,471</td>
<td>$77,275,976</td>
<td>23.1%</td>
</tr>
<tr>
<td>2010</td>
<td>$19,165,195</td>
<td>$79,023,392</td>
<td>24.3%</td>
</tr>
</tbody>
</table>

Note: * Operating Revenues and Transfers: General Fund Revenues plus Operating Transfers from Other Funds and Increase in Obligations Under Capital Leases and Appropriated Fund Balance where applicable.

Minimum Recommended Level - After evaluating all pertinent factors regarding maintenance of reserve levels, the Finance Department arrived at a figure equaling approximately two months' operating expenditures as a minimum desirable balance. It should be pointed out that much of the evaluation is subjective and that some of the evaluative criteria are highly sensitive to change in national and regional economic factors.

Description:

Most communities maintain some type of reserves in order to meet unforeseen contingencies. There exist no set rules for determining at what levels these reserves should be maintained. Much depends on such factors as the kind of natural disasters or hardships the City is subject to, the flexibility of the City's revenue base, national economic conditions, and the City's overall financial health.

In evaluating the desirable, or prudent, level at which reserves should be maintained to ensure sufficient flexibility to meet special needs the following should be considered:

1. What is the potential for revenue deficits?
2. What is the degree of reliance on intergovernmental revenues and the likelihood of significant portions of these revenues being discontinued in the short-run?
3. What type of insurance program does the City have?
4. What kind of losses are likely from natural disasters that would be ineligible for federal and state aid?
5. What is the City's short-term and long-term borrowing capability?
6. How much liquidity exists in City funds (see Indicator 19-A)?

**Analysis:**

It has been determined by the City Council and Management that the City of Columbia's level for the unreserved fund balance should be approximately 16% of annual expenditures.

In FY 2010 with actual revenues slightly higher than estimated during budget preparation while expenditures being a great deal less than budgeted, our ending unreserved, undesignated fund balance is $19,165,195 or 24.25% of FY 2010 total revenues.

**Sources:**

--City of Columbia Annual Budget
--Prior to FY 2002 City of Columbia Comprehensive Annual Financial Reports, Exhibits B-1 and B-3
--FY 2002 to present City of Columbia Financial Management Information Supplement, Exhibits B-1 and B-3

**Notes:**
**Indicator 19-A**

**LIQUIDITY: General Fund**

**Warning Trend:**
Quick Ratio on Cash, Marketable Securities and Accounts Receivable to Current Liabilities of Less than One

**Formulation:**

\[
\text{Cash, Marketable Securities and Accounts Receivable} \div \text{Current Liabilities}
\]

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cash, Marketable Securities &amp; Other Assets*</th>
<th>Current Liabilities</th>
<th>Cash, Marketable Securities &amp; Receivables Coverage of Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$16,148,334</td>
<td>$2,990,522</td>
<td>5.40</td>
</tr>
<tr>
<td>2002</td>
<td>$17,493,126</td>
<td>$3,232,139</td>
<td>5.41</td>
</tr>
<tr>
<td>2003</td>
<td>$19,626,006</td>
<td>$3,532,872</td>
<td>5.56</td>
</tr>
<tr>
<td>2004</td>
<td>$21,672,280</td>
<td>$2,653,869</td>
<td>8.17</td>
</tr>
<tr>
<td>2005</td>
<td>$19,646,262</td>
<td>$3,355,504</td>
<td>5.85</td>
</tr>
<tr>
<td>2006</td>
<td>$21,561,281</td>
<td>$4,083,279</td>
<td>5.28</td>
</tr>
<tr>
<td>2007</td>
<td>$22,776,172</td>
<td>$4,493,036</td>
<td>5.07</td>
</tr>
<tr>
<td>2008</td>
<td>$30,400,241</td>
<td>$4,107,855</td>
<td>7.40</td>
</tr>
<tr>
<td>2009</td>
<td>$29,767,682</td>
<td>$4,107,855</td>
<td>7.25</td>
</tr>
<tr>
<td>2010</td>
<td>$32,289,933</td>
<td>$5,685,015</td>
<td>5.68</td>
</tr>
</tbody>
</table>

Point at Which Ratio Becomes a Negative Factor: 1.00

* Applicable Receivables: Accounts Receivable, Net Taxes Receivable, Grants Receivable, Accrued Interest, Due from Other Funds, and Loans Receivable.

**Description:**

A good measure of a city's short-run financial condition is its cash position. "Cash position" includes cash, marketable securities, as well as other assets that can quickly be converted into cash. The level of such assets is referred to as liquidity. Liquidity is a measure of a City's ability to pay its short-term obligations. The immediate effect of insufficient liquidity is inability to pay bills in a timely manner. This can jeopardize the City's relationship with its vendors and can reduce the effectiveness and savings of the competitive bidding process associated with purchasing.

Low or steadily declining liquidity can indicate that a city has, or is, overextending itself in the long run, the first sign being a cash shortage. A standard ratio of liquidity used to analyze commercial entities is the quick ratio, or "acid test:" that is, cash, marketable securities, and accounts receivable (within 30 days) divided by current liabilities. If the ratio is approaching one, or less than one, the commercial entity is considered to be facing liquidity problems.
Credit Industry Benchmarks:

If the ratio is less than one, it is considered to be a negative factor, but would be mitigated if a prior trend of three years or more indicates that the ratio will exceed one in the following year. A three-year trend of less than one would be considered a negative factor.

Analysis:

Given credit industry benchmarks which state it is not considered a negative factor unless the ratio drops below one, the City of Columbia’s ratios for the period shown are not negative and have ranged from a low of 5.07:1.0 to a high of 8.17:1.0. Cash, Marketable Securities and Applicable Receivables have increased from $16,148,334 in FY 2001 to $32,289,933 in FY 2010.

Sources

--Prior to FY 2002 City of Columbia Comprehensive Annual Financial Report, Exhibit B-1
--FY 2002 to present City of Columbia Financial Management Information Supplement, Exhibit B-1

Notes:
Indicator 19-B

LIQUIDITY:
Enterprise Funds

Warning Trend:
Quick Ratio on Current Unrestricted Assets (less inventories) to Current Unrestricted Liabilities of Less than One

Formulation:

\[
\text{Current Unrestricted Assets (Less Inventories)} \div \text{Current Unrestricted Liabilities}
\]

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Current Unrestricted Assets (Less Inventory) *</th>
<th>Current Liabilities</th>
<th>Ratio Of Assets To Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$39,800,918</td>
<td>$7,649,216</td>
<td>5.20</td>
</tr>
<tr>
<td>2002</td>
<td>$41,034,204</td>
<td>$8,064,656</td>
<td>5.09</td>
</tr>
<tr>
<td>2003</td>
<td>$36,074,250</td>
<td>$8,967,580</td>
<td>4.02</td>
</tr>
<tr>
<td>2004</td>
<td>$39,537,431</td>
<td>$9,627,206</td>
<td>4.11</td>
</tr>
<tr>
<td>2005</td>
<td>$43,737,731</td>
<td>$9,496,830</td>
<td>4.61</td>
</tr>
<tr>
<td>2006</td>
<td>$48,477,145</td>
<td>$13,130,092</td>
<td>3.69</td>
</tr>
<tr>
<td>2007</td>
<td>$63,045,500</td>
<td>$11,561,458</td>
<td>5.45</td>
</tr>
<tr>
<td>2008</td>
<td>$71,581,467</td>
<td>$13,025,760</td>
<td>5.50</td>
</tr>
<tr>
<td>2009</td>
<td>$77,099,131</td>
<td>$14,806,100</td>
<td>5.21</td>
</tr>
<tr>
<td>2010</td>
<td>$68,261,726</td>
<td>$14,939,356</td>
<td>4.57</td>
</tr>
</tbody>
</table>

Point at Which Ratio Becomes a Negative Factor: 1.00

* Total Current Assets less Inventory.

Note:

Description:

A good measure of the Enterprise Fund's short-run financial condition is liquidity, or the level of current assets. Current assets are comprised of cash and cash equivalents, as well as receivables expected to be turned into cash within 30 days. Liquidity problems can result in deteriorating vendor relationships if accounts are not paid in a timely manner, as well as poor bond ratings on revenue bonds. Commercial entities measure liquidity by use of the "quick," or "acid ratio;" that is, current assets (less inventory) divided by current liabilities.
Credit Industry Benchmarks:

If the ratio is less than "one to one" (1:1), it is considered a negative factor, but would be mitigated if a prior trend of three or more years would indicate that the ratio will exceed one in the following year. A three-year trend of ratios less than one would be considered a decidedly negative factor.

Analysis:

Liquidity for the City's Enterprise Funds has ranged from a low of 3.69:1.0 to a high of 5.50:1.0, with the FY 2010 ratio at 4.57:1.0. At no time during the ten-year period did the ratio fall below the 1.0:1.0 mark which is considered a negative factor by the credit rating agencies of the City.

Sources:

--Prior to FY 2002 City of Columbia Comprehensive Annual Financial Reports, Exhibit F-1
--FY 2002 to present City of Columbia Financial Management Information Supplement, Exhibit F-1

Notes:
Indicator 20-A

RATIO OF REVENUES TO EXPENDITURES: Governmental Funds & Expendable Trust Funds

Warning Trend:
Declining Ratio of Total Revenues To Total Expenditures and/or a Ratio of Less Than 1%

Formulation:
\[
\text{Ratio Of Total Revenues To Total Expenditures} = \frac{\text{Total Revenues}}{\text{Total Expenditures}}
\]

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Revenues *</th>
<th>Total Expenditures **</th>
<th>Ratio Of Total Revenues To Total Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$71,178,120</td>
<td>$71,764,418</td>
<td>0.99</td>
</tr>
<tr>
<td>2002</td>
<td>$72,502,454</td>
<td>$60,233,633</td>
<td>1.20</td>
</tr>
<tr>
<td>2003</td>
<td>$74,269,175</td>
<td>$62,670,872</td>
<td>1.19</td>
</tr>
<tr>
<td>2004</td>
<td>$82,290,850</td>
<td>$64,233,974</td>
<td>1.28</td>
</tr>
<tr>
<td>2005</td>
<td>$82,654,278</td>
<td>$73,728,745</td>
<td>1.12</td>
</tr>
<tr>
<td>2006</td>
<td>$90,445,850</td>
<td>$84,880,282</td>
<td>1.07</td>
</tr>
<tr>
<td>2007</td>
<td>$96,552,609</td>
<td>$96,945,691</td>
<td>1.00</td>
</tr>
<tr>
<td>2008</td>
<td>$108,509,379</td>
<td>$93,958,334</td>
<td>1.15</td>
</tr>
<tr>
<td>2009</td>
<td>$107,014,793</td>
<td>$122,600,624</td>
<td>0.87</td>
</tr>
<tr>
<td>2010</td>
<td>$109,391,072</td>
<td>$118,803,210</td>
<td>0.92</td>
</tr>
</tbody>
</table>

* Total Revenues: Governmental Fund Types and Fiduciary Fund Type (Expendable Trust Funds). Total Revenues do not include Operating Transfers, Proceeds of Capital Improvement Bonds, or Appropriation of Prior Year Fund Balance.

** Total Expenditures: Governmental Fund Types and Fiduciary Fund Type (Expendable Trust Funds). Total Expenditures do not include Transfers or Capital Leases.

Description:

Total Revenues is the sum of revenues for all governmental and expendable trust funds, while Total Expenditures are the sum of expenditures for all governmental and expendable trust funds. The City of Columbia’s General Fund utilizes both Operating Transfers In and Operating Transfers Out. The major Operating Transfers Out of the General Fund subsidize some enterprise operations which are often privately run in other cities.

The Operating Transfers into the General Fund represent a reimbursement for services rendered by General Fund departments. These include, Public Improvement Fund (for engineering services), Employee Benefit Fund (for Employee Health Wellness services provided by the Health Department), CDBG Fund (for services provided by the Planning Department), and Self Insurance Fund (for services provided by the Finance Department). There are also two special tax revenues (Transportation Sales Tax and Special Road District Tax) which are transferred into the General Fund to cover expenditures for services provided by General Fund departments.
A ratio of less than 1.0 would indicate that a deficit has occurred. However, this does not necessarily mean the budget will be out of balance. Reserves (fund balances) and transfers are sometimes used to cover the difference. Increasing use of transfers and reserves should be closely monitored as it may indicate a revenue/expenditure problem.

Analysis:

The ratio of Total Revenues to Total Expenditures has ranged from a low of 0.87 to a high of 1.28 during the period shown. During this period the ratio has varied by no more than 0.41 from one year to following year. A warning trend would occur if there were several years of ratios less than 1.0 or if the ratio continued to decrease. This would indicate revenues are unable to keep up with increases in expenditures. However, this is not the case as the ratio has been above the 1.0 mark for all of the years studied and the decreases have been minimal.

Sources:

--Prior to FY 2002 City of Columbia Comprehensive Annual Financial Reports, Exhibit A-2
--FY 2002 to present City of Columbia Financial Management Information Supplement, Exhibit A-2

Notes:
Indicator 20-B

RATIO OF REVENUES TO EXPENSES
Proprietary Funds & Non-Expendable Trust Funds

Warning Trend:
Declining Ratio of Total Revenues To Total Expenses and/or Ratio of Less Than 1%

Formulation:

\[
\text{Ratio} = \frac{\text{Operating Revenues}}{\text{Operating Expenses}}
\]

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Operating Revenues *</th>
<th>Operating Expenses **</th>
<th>Ratio Of Total Revenues To Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$111,107,895</td>
<td>$93,918,281</td>
<td>1.18</td>
</tr>
<tr>
<td>2002</td>
<td>$113,554,108</td>
<td>$96,878,653</td>
<td>1.17</td>
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<tr>
<td>2003</td>
<td>$121,739,450</td>
<td>$104,943,688</td>
<td>1.16</td>
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<tr>
<td>2004</td>
<td>$127,025,504</td>
<td>$110,253,060</td>
<td>1.15</td>
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<tr>
<td>2005</td>
<td>$144,139,542</td>
<td>$126,062,392</td>
<td>1.14</td>
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<tr>
<td>2006</td>
<td>$162,722,042</td>
<td>$142,002,178</td>
<td>1.15</td>
</tr>
<tr>
<td>2007</td>
<td>$177,707,803</td>
<td>$145,946,314</td>
<td>1.22</td>
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<tr>
<td>2008</td>
<td>$186,039,879</td>
<td>$156,452,312</td>
<td>1.19</td>
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<tr>
<td>2009</td>
<td>$192,524,350</td>
<td>$164,672,331</td>
<td>1.17</td>
</tr>
<tr>
<td>2010</td>
<td>$208,664,790</td>
<td>$171,559,894</td>
<td>1.22</td>
</tr>
</tbody>
</table>

* Operating Revenues: Enterprise, Internal Service Funds and Fiduciary Fund Type (Non-Expendable Trust Funds). Does Not include Operating Transfers, Equity Transfers, or Non-Operating Revenue.

** Operating Expenses: Enterprise, Internal Service Funds and Fiduciary Fund Type (Non-Expendable Trust Funds). Does Not include Operating Transfers To Other Funds, Equity Transfers To Other Funds, or Non-Operating Expenses.

Note:

Description:

Operating Revenues is the sum of all operating revenues for proprietary and non-expendable trust funds, while Operating Expenses is the sum of all operating expenses for all proprietary and non-expendable trust funds. These revenues and expenses do not include non-operating revenues/expenses nor operating transfers. Since the City of Columbia is a full-service city, it is difficult to find comparable cities with the number and scope of our enterprise operations. A ratio of less than 1% would indicate that a net loss has occurred. In enterprise funds, this net loss would signal problems since they are expected to function as if they were commercially operated as a "for-profit" entity, as opposed to a "not- for-profit" entity.
Analysis:

The ratio of Operating Revenues to Operating Expenses has ranged from a low of 1.14 to a high of 1.22 during the period shown. A warning trend would occur if there were several years of ratios less than 1.0 or if the ratio continued to decrease. This would indicate revenues are unable to keep up with increases in expenses. The ratio has been above 1.0 for all years studied and remained relatively stable during that time. While the amount of decline is not significant, the City will continue to closely monitor this indicator due to six consecutive years of decline (2000 - 2005).

Sources:
--Prior to FY 2002 City of Columbia Comprehensive Annual Financial Reports, Exhibit A-4
--FY 2002 to present City of Columbia Financial Management Information Supplement, Exhibit A-4

Notes: