



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
November 6, 2013**

TO: Mayor and City Council

FROM: Cathy Spinella, Finance Manager

SUBJECT: Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2013

DATE: October 29, 2013

RECOMMENDATION:

Receive and file the Comprehensive Annual Financial Report (CAFR) for Fiscal Year ended June 30, 2013. The City's auditor and staff reviewed the report with the Budget Subcommittee on October 28, 2013 and the Subcommittee recommended forwarding to the City Council.

BACKGROUND:

Each fiscal year the City is required to be audited annually by an independent certified public accountancy firm. The CPA firm of Maze and Associates is the City's independent external auditor. Maze and Associates has completed its review and examination of the City's financial transactions and statements for the year ended June 30, 2013, and the audit was conducted in accordance with generally accepted auditing standards. Those standards require the auditor to plan and perform the audit to obtain reasonable assurances as to whether the financial statements are free of material misstatement. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used, and significant estimates made by staff.

It is the opinion of the auditors that the financial statements fairly represent the financial position of the City as of June 30, 2013, and that the statements were prepared in conformity with generally accepted accounting principles (GAAP). Maze and Associates also agreed with the City's Appropriations Limit Calculation (GANN) for 2012-13. The Finance Division was responsible for the coordination of the audit process, the completion of the year-end closing, and the preparation of the Comprehensive Annual Financial Report (CAFR).

The Finance Division incorporates the City's financial statements into a CAFR, the purpose of which is to provide citizens, grantor agencies, bond trustees, and other interested parties, with reliable financial information about the City. In each of the previous ten years, the City has received the Certificate of Achievement for Excellence in Financial Reporting from the Governmental Finance Officers Association (GFOA). The GFOA award is a prestigious national award recognizing the use of high standards in preparing state and local government financial reports.

Complete financial information as of June 30, 2013 is contained in the CAFR. Key information contained in the CAFR is stated below:

- The General Fund ended at June 30, 2013 with a fund balance of \$6,979,486. Of this amount \$75,090 was nonspendable and restricted; \$1,633,745 was assigned; and \$5,270,651 was unassigned, with \$1,000,000 designated for unforeseen contingencies, leaving \$4,270,651.

Operating revenues were \$19,303,868, of which \$475,754 was one-time revenues in sales tax adjustments from prior years. Operating expenditures were \$18,993,301 with \$29,783 in encumbrances that will be re-appropriated to Fiscal Year 2013-14. Expenses, less encumbrances, were \$158,774 under budget, mostly in the community development department of unused funds of \$79,362 to create an economic development corporation.

In addition, \$860,849 was transferred to other funds. \$25,000 downtown dining platforms; \$5,000 towards a Gun Buy Back Program with the County; \$100,000 for the General Plan; \$7,000 to three Lighting & Landscape Assessment District for maintenance costs. \$723,849 was transferred to the Marina Service Fund, with \$473,849 for prior year advances that were forgiven; \$125,000 for a master plan; \$65,000 for dredging; \$40,000 for CEQA and \$20,000 for consultant services.

- The City has three Enterprise Funds, Water System, Marina, and Parking Services. Each is financed and operated in a manner similar to a private business enterprise. The intent is that costs of providing goods and services to the general public on a continuing basis are to be financed or recovered primarily through user charges. The Water Fund ended with assets restricted for capital projects and debt service of \$6,991,866 and unrestricted of \$9,048,116, which can be used for future projects and debt service. The Marina ended June 30, 2013 with negative net assets of \$4,367,834, and Parking Services ended with unrestricted net assets of \$1,011,044 and \$125,000 restricted for capital projects.
- Internal Service Funds account for the financing of goods and services provided by one department to other departments on a cost-reimbursement basis. The City has two Internal Service Funds. The Equipment Replacement Fund accounts for the accumulation of funds for the maintenance and subsequent replacement of City equipment, including the vehicle fleet. The Management Information System Fund accounts for the I.T. services rendered to all City departments for management of hardware and software needs. The combined unrestricted net assets of both funds were \$1,721,025 at June 30, 2013.

In addition to the CAFR, separate financial statements were produced for the Water System Enterprise Fund, Marina Services Enterprise Fund and the Transportation Development Act Program for the Pedestrian and Bicycle Program. In addition to conducting the financial audit and offering an opinion on the City's financial statements, the auditors provide a Memorandum on Internal Controls and Required Communications as per the Statement on Auditing Standards (SAS) No. 115. This report notes certain matters involving internal control and operational concerns.

FISCAL IMPACT:

None.

ACTION:

Motion to receive and file the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2013.

Attachments:

1. Comprehensive Annual Financial Report
2. Water System Financial Statements
3. Marina System Financial Statements
4. Pedestrian and Bicycle Program
5. Appropriations Limit Increment for 2012-13
6. Memorandum on Internal Controls and Required Communication

APPROVED BY:


Acting City Manager