



Date: October 14, 2015
To: Mayor and City Council
From: Alan Shear, Assistant City Manager
Subject: Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2015

Recommendation

Receive and file the Comprehensive Annual Financial Report (CAFR) for Fiscal Year ended June 30, 2015.

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, 2015, 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. The City's auditor and staff reviewed the report with the Budget Subcommittee on October 13, 2015 and the Subcommittee recommended forwarding to the City Council.

Discussion

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 Government 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, 2015 is contained in the CAFR. Key information contained in the CAFR is stated below:

- The General Fund ended at June 30, 2015 with a fund balance of \$10,509,493. Of this amount \$67,211 was nonspendable and restricted; \$2,705,355 was assigned; and \$7,736,927 was unassigned, with \$1,000,000 designated for unforeseen contingencies, leaving \$6,736,927.

Operating revenues were \$21,147,536, of which \$808,000 was one-time revenues from fees collected on a subdivision, workers comp/liability rebates, inspection fees and state mandates. Operating expenditures were \$18,864,390 with \$44,846 in encumbrances that will be re-appropriated to Fiscal Year 2015-16. Expenses, less encumbrances, were \$890,941 under budget, mostly in salary and benefit savings with \$640,000 in the police department and \$135,000 in general government under the city manager division.

In addition, \$46,238 was transferred to other funds. \$21,238 was transferred to the water system, for the lifeline program for low income residents; \$10,000 to three Lighting and Landscape Assessment Districts for maintenance costs; and \$15,000 to CIP for the sidewalk reimbursement program.

- 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 of an enterprise fund is for the costs of providing goods and services to the general public on a continuing basis are financed or recovered primarily through user charges. The Water Fund ended the fiscal year with assets restricted for capital projects and debt service of \$7,881,468 and unrestricted of \$7,228,041, which can be used for future projects and debt service. The Marina ended June 30, 2015 with negative net assets of \$3,367,692, and Parking Services ended with unrestricted net assets of \$1,574,623 and \$135,194 restricted for capital projects.
- Internal Service Funds account for the financing of goods and services provided by one department to the 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 \$1,394,900 at June 30, 2015.

It is the opinion of the auditors that the financial statements fairly represent the financial position of the City as of June 30, 2015, 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 2014-15. 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).

In addition to the CAFR, separate financial statements were produced for the Water System Enterprise Fund and Marina Services Enterprise Fund. 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.

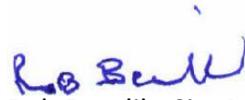
Fiscal Impact

None.

Attachments

- Comprehensive Annual Financial Report
- Water System Financial Statements
- Marina System Financial Statements
- Appropriations Limit Increment for 2014-15
- Memorandum on Internal Controls and Required Communications

APPROVED BY:



Rob Braulik, City Manager