

To: James L. App, City Manager
From: Mike Compton, Director of Administrative Services
Subject: Comprehensive Annual Financial Report
DATE: February 21, 2006

Need:

Present the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2005 for City Council consideration.

Facts:

1. A Comprehensive Annual Financial Report (CAFR) is prepared to provide detailed information regarding the financial results of City operations.
2. The CAFR is prepared in accordance with generally accepted accounting procedures, including compliance with pronouncements issued by the Governmental Accounting Standards Board (GASB).
3. The CAFR and all supporting accounting and financial records are audited by the outside certified public accounting firm, Moss, Levy & Hartzheim in accordance with generally accepted auditing standards and the *Government Auditing Standards* as issued by the Comptroller General of the United States.
4. The opinion letter issued by Moss, Levy & Hartzheim is unqualified (clean) and indicates that the financial statements and other information reported in the CAFR fairly represent, in all material respects, the financial position of the City as of June 30, 2005.

Analysis and
Conclusions:

Results for major funds are summarized below:

- General Fund – Given the adopted budget for fiscal year 2005 and subsequent budget appropriations by Council, it was projected, given the assumption that all appropriations would be expended, that the City would experience a budget deficit of \$(2,633,600).

In spite of the fact that actual expenditures exceeded budget appropriations by \$691,000, actual revenues greatly exceeded budget projections by \$4 million. This \$4 million can be attributed to \$3 million in property and sales tax revenues, \$650,000 in building permits, and \$560,000 in charges for

current services. The City's General Fund increased by approximately \$255,000 for fiscal year 2005 as follows:

Revenues	\$ 21,895,050
Less Expenditures	<u>(21,366,468)</u>
Operating Revenues Over Expenses	528,582
Operating Transfers In	971,160
Operating Transfers Out	<u>(295,031)</u>
Gross Operating Results	1,204,711
Transfers to General Reserve	<u>(950,000)</u>
Net Increase to Fund Balance	<u>\$ 254,711</u>

Proprietary Fund Financial Statements

- Water Operations - Net assets rose from \$30,581,400 to \$35,613,290. Current assets, cash and receivables, rose by approximately \$1.5 million and fixed assets (plant, property and equipment) rose by approximately \$3.2 million. Liabilities were limited to a \$57,000 increase.

The term “operating loss or profit” as used below refers to the result whereas operating revenues exceed or don’t exceed operating expenses. Operating revenues exclude such items as interest income, taxes, proceeds from grants; proceeds from debt issuance, impact fees, and developer contributed fixed assets and sale of surplus property. Operating expenses exclude interest expense, contributions to other agencies, bond issuance costs, and the acquisition of fixed assets.

Water operations experienced an operating profit of \$233,985 representing considerable improvement over last year’s loss of (\$123,902). Other than annual inflationary adjustments and Nacimiento Water, the Council’s last user fee adjustment was effective 7/1/04. Given these results, no user fee adjustment other than annual inflation is foreseen.

The Water Operations Fund has no outstanding debt.

With regard to cash resources, the balance at 6/30/05 was \$16,330,461 as compared to last year’s balance of \$15,108,839. Of the \$16.3 million in cash resources, approximately \$13 million is generated from operations, mostly for capital and infrastructure replacement (accumulated depreciation). The

balance represents \$2 million in water connections fees, \$1.1 million for the Nacimiento Water Project, and \$211,000 for Nacimiento Water Treatment. Water Operations Fund is projected to finance various CIP water improvement projects over the next four years totaling \$10.3 million.

- Sewer Operations - Sewer Operations experienced an increase in net assets. Net assets increased from \$25,781,782 to \$28,551,178. Current assets, cash and receivables, increased by approximately \$1.8 million and fixed assets (plant, property and equipment) rose by approximately \$375,000. The increase in current assets is attributable to the timing of various sewer collection and treatment projects capital expenditures. Current liabilities increased by \$47,000 and long-term liabilities declined by \$655,000.

Cash resources increased from \$12.2 million to \$14.1 million this year. The Sewer Operations Fund has experienced an operating gain of \$406,389 this year as compared to an operating gain of \$41,121 last year.

Sewer Operations Fund is projected to finance various CIP sewer improvement projects over the next four years totaling \$6.5 million.

The Sewer Operations Fund has an outstanding bond issue. It is actually a combination of new debt (\$8 million) and the refunding of previous debt (1993 Sewer Refunding Bonds originally issued as the Sewer Improvement Revenue Bonds of 1987 for the treatment plant expansion.

- Airport Operations - Net assets declined slightly from \$13,884,965 last year to \$13,788,263 this year. Current assets declined by approximately \$104,770, and fixed assets declined by about \$250,000. On the liability side, current liabilities declined by \$115,000 and long term liabilities also declined by \$140,000 leaving the Airport Operations Fund with no outstanding debt.

Cash resources decreased from \$761,865 to \$733,071 this year and the Airport Operations Fund finished with an operating loss of (\$328,333). Last year the loss was (\$362,918). The losses are attributable to depreciation expense.

- Transit Operations – Transit Operations saw an increase in net assets from \$869,851 last year to \$1,048,433 this year. The Fund’s cash balance ended the year at \$598,037 as compared to \$471,099 last year. As transit operations do not need cash reserves, future yearly TDA claims for transit operations will be significantly reduced and the funds re-directed towards street and road improvements.

Fiscal
Impact:

None.

Options:

- a. That the City Council receive and file the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2005 or
- b. Amend, modify or reject any of the options above.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Copy is available in the library for public review.

Additional copies are available in the City Clerk's Office and Administrative Services

**CITY OF EL PASO DE ROBLES
TEN YEAR MAJOR REVENUE SUMMARY**

Per General Ledger Posting-General Fund Only

	FISCAL YEAR	CUMULATIVE TOTALS THROUGH:				FISCAL YEAR	CUMULATIVE TOTALS THROUGH:				
		1st QUARTER (7/1-9/30)	2nd QUARTER (7/1-12/31)	3rd QUARTER (7/1-3/31)	4th QUARTER (7/1-6/30)		1st QUARTER (7/1-9/30)	2nd QUARTER (7/1-12/31)	3rd QUARTER (7/1-3/31)	4th QUARTER (7/1-6/30)	
PROPERTY TAX	1996/97	0	920,120	1,089,352	1,725,218	BUILDING PERMITS	1996/97	22,926	119,723	166,257	223,566
	1997/98	32,678	966,244	1,177,283	1,741,663		1997/98	96,312	193,505	309,470	440,068
	1998/99	0	1,107,734	1,128,830	2,134,996		1998/99	82,387	210,882	306,879	380,330
	1999/00	6,914	1,144,854	1,403,328	2,287,644		1999/00	102,594	271,296	490,378	739,669
	2000/01	8,927	1,394,798	1,756,673	2,520,254		2000/01	198,338	339,382	454,863	752,305
	2001/02	139,501	1,545,602	1,836,913	2,843,714		2001/02	298,666	477,404	855,741	1,013,951
	2002/03	104,805	1,801,357	2,285,306	3,267,031		2002/03	100,620	231,865	587,052	1,108,420
	2003/04	126,034	2,087,109	2,506,731	3,513,446		2003/04	63,736	172,156	424,853	773,936
	2004/05	87,560	1,920,377	2,465,286	4,076,025		2004/05	404,285	647,770	846,026	1,175,378
	2005/06	146,002	2,349,787				2005/06	199,750	458,285		
Percent +/- prior year		66.75 %	22.36 %			Percent +/- prior year		(50.59)%	(29.25)%		
SALES TAX	1996/97	812,996	1,594,080	2,449,634	3,122,154	ENGINEERING INSPECTION FEES	1996/97	23,601	30,426	43,120	50,848
	1997/98	877,123	1,810,201	2,773,038	3,574,395		1997/98	36,469	36,299	64,494	98,914
	1998/99	980,787	1,950,106	2,905,554	3,920,607		1998/99	28,966	65,819	69,925	113,563
	1999/00	1,061,275	2,115,413	3,306,778	4,536,210		1999/00	89,916	97,048	134,049	174,975
	2000/01	1,239,456	2,578,027	3,826,429	5,141,821		2000/01	26,936	88,317	31,876	72,338
	2001/02	1,334,376	2,772,920	4,143,337	5,755,697		2001/02	10,434	89,527	128,773	155,668
	2002/03	1,366,957	2,880,261	4,262,537	5,723,556		2002/03	33,043	79,689	104,081	221,076
	2003/04	1,525,388	3,120,378	4,612,413	6,229,299		2003/04	46,698	71,411	131,879	219,563
	2004/05	1,639,121	2,931,906	4,258,539	6,883,775		2004/05	62,493	140,020	436,179	512,765
	2005/06	1,426,457	2,257,759				2005/06	64,302	99,985		
Percent +/- prior year		(12.97)%	(22.99)%			Percent +/- prior year		2.89 %	(28.59)%		
TRANSIENT OCCUPANCY TAX	1996/97	67,051	195,625	306,053	528,046	PLAN CHECK FEES	1996/97	24,678	86,659	129,137	99,092
	1997/98	71,264	213,858	318,523	570,593		1997/98	36,779	92,230	117,216	164,475
	1998/99	74,164	263,630	387,238	629,273		1998/99	37,224	104,858	127,440	145,754
	1999/00	103,550	309,152	444,809	759,264		1999/00	53,761	161,386	206,240	308,809
	2000/01	132,674	419,305	572,521	976,618		2000/01	74,488	150,434	197,134	354,139
	2001/02	193,883	466,256	653,592	1,040,692		2001/02	106,336	250,727	312,495	367,176
	2002/03	184,571	480,593	646,231	1,123,814		2002/03	72,197	105,261	272,491	432,615
	2003/04	268,559	579,892	816,430	1,284,671		2003/04	34,268	69,070	182,758	292,491
	2004/05	287,543	655,442	890,209	1,446,059		2004/05	177,479	314,929	425,486	633,257
	2005/06	313,023	696,686				2005/06	246,903	423,698		
Percent +/- prior year		8.86 %	6.29 %			Percent +/- prior year		39.12 %	34.54 %		
REAL PROPERTY TRANSFER	1996/97	10,883	22,010	33,626	55,209	MISCELLANEOUS DEVELOPMENT FEES	1996/97	6,916	12,076	14,249	35,335
	1997/98	9,792	23,596	38,279	59,779		1997/98	3,181	6,149	9,476	58,777
	1998/99	14,407	33,468	50,773	88,133		1998/99	2,240	5,288	8,421	11,474
	1999/00	17,018	36,032	56,484	93,468		1999/00	3,388	7,423	14,434	125,315
	2000/01	21,590	56,105	84,682	141,379		2000/01	16,381	28,196	41,436	97,866
	2001/02	23,074	50,887	81,760	159,474		2001/02	5,678	9,459	80,053	102,284
	2002/03	36,437	78,774	111,263	168,598		2002/03	6,775	33,051	76,151	174,183
	2003/04	26,556	82,619	131,081	239,085		2003/04	5,174	30,143	40,347	55,635
	2004/05	47,102	122,813	203,015	340,630		2004/05	15,715	28,065	97,537	125,701
	2005/06	70,771	164,263				2005/06	27,669	44,212		
Percent +/- prior year		50.25 %	33.75 %			Percent +/- prior year		76.07 %	57.54 %		

* Feb. 2003 TOT receipt timing variances cause a negative comparison to prior year.