

To: James L. App, City Manager
From: Jim Throop, Director of Administrative Services
Subject: Comprehensive Annual Financial Report
DATE: February 5, 2008

Need:

Present the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2007 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, 2007.

Analysis and
Conclusions:

Results for major funds are summarized below:

- General Fund – The General Fund ended the year with a \$149,777 increase to reserves (savings).

Fund balance is \$8,571,860 representing a reserve of 33% of total actual expenditures including capital outlay. Without the inclusion of capital, the reserve as a percentage of actual operating expenditures was 34%.

Available cash at June 30, 2007 was \$5,806,578.

- Water Operations - Net assets rose from \$41,426,586 to \$46,300,674. Current assets, cash and receivables, increased by approximately \$5.6 million. The increase in Accounts Receivable includes the repayment of expenditures for the Nacimiento Water project from bond proceeds. The fixed assets (plant, property and equipment net of depreciation) declined by approximately \$773,000. Current and long term liabilities rose by \$310,974. Water Operations Fund has no outstanding debt.

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 \$167,279.

Other than annual inflationary adjustments and Nacimiento Water fees, the Council’s last user fee adjustment was effective 7/1/04.

With regard to cash resources, the balance at 6/30/07 was \$12,943,348 as compared to last year’s balance of \$15,219,075. For reporting purposes, all water related funds are consolidated. Therefore, these cash balances included development impact fees and various Nacimiento Water funds.

- Sewer Operations - Sewer Operations experienced an increase in net assets. Net assets increased from \$31,867,594 to \$34,218,432. Current assets, cash and receivables, decreased approximately \$4.7 million and capital assets (plant, property and equipment) rose by approximately \$282,100. Long term assets increased by \$6.2 million accounting for a loan to the Traffic Mitigation Fund. Current liabilities rose by \$27,000 and long-term liabilities declined by \$622,200, including the principal retirement on outstanding bonds.

Cash resources declined from \$16,573,400 to \$11,891,400 this year. The Sewer Operations Fund has experienced an operating gain of \$790,036 this year as compared to an operating gain of \$682,966 last year. For reporting purposes, all sewer related funds are consolidated. Therefore, these cash balances included development impact fees.

The Sewer Operations Fund has an outstanding bond issue. It is 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 expansion of the treatment plant.

- Airport Operations - Net assets declined to \$14,209,949 from \$14,448,928 last year. Current assets increased by \$163,290, and net fixed assets decreased by

\$379,300. On the liability side, current liabilities increased by \$9,613. The Airport Operations Fund has no outstanding debt.

Cash resources increased from \$783,870 to \$958,474 this year. The Airport Operations Fund finished with an operating loss of (\$387,305). Last year the loss was (\$303,269). The loss is attributable to depreciation expense, a non-cash transaction.

- Transit Operations – Transit Operations experienced an increase in net assets from \$909,828 last year to \$1,181,234 this year. The Fund's cash balance ended the year at \$734,630 as compared to \$371,866 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, 2007 and approve the resolution for the transfer of excess funds to the General Emergency & Reserve Fund 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

and on the City's website at:

<http://www.prcity.com/government/departments/adminservices/index.asp>

RESOLUTION NO. 08-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF EL PASO DE ROBLES
ALLOCATING GENERAL FUND RESOURCES

WHEREAS, the audited General Fund results for the fiscal year ending June 30, 2007 indicate a budget surplus of \$149,777; and

WHEREAS, the City Council has determined that General Fund Reserves be maintained at a minimum of 20% of operating expenditures;

WHEREAS, General Fund Reserves stand at 33% as of June 30, 2007;

WHEREAS, funds for emergencies and contingencies is prudent in the face of near-term uncertainties in the local economy;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles that \$149,777 of General Fund 6/30/07 surplus resources is hereby approved:

From: General Fund – 100-000-5899-000

To: General Emergency and Reserve Fund 110-000-4899-000

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 5th day of February, 2008, by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Deborah D. Robinson, Deputy City Clerk