

To: Meg Williamson, Acting City Manager

From: Jim Throop, Director of Administrative Services

Subject: Comprehensive Annual Financial Report

DATE: January 19, 2016

Need: Receive and file the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2015.

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 (GAAP), 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, 2015.
5. Hard copies of the CAFR are available for review in the City Library and City Clerk's Office at 1000 Spring Street; and the Administrative Services Offices at 821 Pine Street. A reference copy for the City Council has been placed in the City Council office. An electronic copy of the CAFR is on the City's website.

Analysis &

Conclusions:

Results for major funds are summarized below:

- General Fund – The General Fund ended the year with approximately a \$352,000 increase to reserves (savings). This was due primarily to increased cost efficiencies and revenue coming in higher than projected.

Fund balance is \$8,614,000 representing a reserve of 31.3% of total actual expenditures including capital outlay.

- Water Operations – The Water Fund ended the year with a reduction of \$6,051,000 in its reserves due to the use of cash reserves to build the new Water Treatment Plant. This reduction was planned during the last water rate study.

The adopted rates, which began in January 2012, are increased annually over the 5-year study period. A proposed new rate structure will be presented to City Council for adoption in March, 2016. If approved, it will allow for the fund to replenish its reserves over the five-year planning period.

Water Operations Fund has no outstanding debt.

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.

From this financial view, Water operations experienced an operating "surplus" (a.k.a., retained earnings or more commonly "reserves") of approximately \$1.9M, which will become part of its reserve to cover unfunded depreciations expenses, and to pay back the Water Fund for the construction of the new water treatment plant.

With regard to cash resources, the balance at 6/30/15 was \$11,816,657. For reporting purposes, all water related funds are consolidated, e.g., these cash balances include development impact fees as well as user fees.

- Sewer Operations – The Sewer Fund ended the year with a \$3.7 million addition to its reserves (a.k.a., retained earnings). In July 2012, new sewer rates were implemented and will increase annually for the next five years. These new rates are designed to cover the debt service for the new Wastewater Treatment plant. The project is being funded by a State Revolving Fund loan with an interest of only 1.7%. The construction began in the spring of 2013 and was completed in the summer/fall of 2015. Prior to this new debt, the existing debt was refinanced, which allowed for the reduction of debt service by \$60,000/year. This will save the Sewer Fund approximately \$1.1 million over the life of the bond.

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.

From this financial view, Sewer operations experienced an operating "surplus" (a.k.a., retained earnings, or commonly known as "reserves") of approximately \$222,000. These additional funds will become part of the fund reserves to cover unfunded depreciation expenses and to help pay the new debt service payments, which begin in FY2016.

With regard to cash resources, the balance at 6/30/15 was \$11,555,606. For reporting purposes, all wastewater related funds are consolidated, e.g., these cash balances included development impact fees as well as user fees.

- Airport Operations – The Airport Funds ended the year with a \$217,000 addition to its cash reserves. However, the Airport Fund was not able to cover its depreciation costs of \$385,540. Such that it showed an operating “loss” of \$162,000. The Airport Operations Fund has no outstanding debt.

Total cash resources decreased from \$2,622,259 to \$1,856,868 this year. This includes the Airport Operations fund, Airport Capital Match fund and the Airport Terminal Repair fund.

Fiscal

Impact:

None.

Options:

- a. That the City Council receive and file the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2015, 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**

An electronic copy of the CAFR is available on the City's Website:
**[http://www.prcity.com/government/departments/adminservices/pdf/
cafr/CAFR-2015.pdf](http://www.prcity.com/government/departments/adminservices/pdf/cafr/CAFR-2015.pdf)**