

CITY OF SAN LEANDRO

MEMORANDUM

DATE: January 20, 2012

TO: Finance Committee

FROM: Lianne Marshall, Interim City Manager

BY: Jim O'Leary, Interim Finance Director

SUBJECT: Receive City's Comprehensive Annual Financial Report (CAFR) for the Year Ended June 30, 2011

SUMMARY AND RECOMMENDATION

Staff recommends that the Finance Committee review and approve the City's Comprehensive Annual Financial Report (CAFR) for the Year Ended June 30, 2011.

BACKGROUND

The City's independent auditor, Maze & Associates, has completed the audit of the City's financial statements and provided their auditor's reports for the year ended June 30, 2011. The Finance Department prepared the City's financial statements in the form required of the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011. The Government Accounting Standards Board (GASB) recommends the elements for the CAFR format. The CAFR and the related financial statements fully disclose the financial condition of the City, Redevelopment Agency, and other reporting units of the City.

Other financial statements for the year ended June 30, 2011 are reviewed and prepared by the City's external auditor:

1. Alameda County Transportation Authority- Measure B Funds
2. Redevelopment Agency of San Leandro (Component Unit Report)
3. Transportation Development Act Article III Fund
4. Appropriations Limit Schedule and Independent Accountant's Report
5. Single Audit of Federal Grant Expenditures in accordance with U.S. Office of Management and Budget Circular A-133

The primary report, the CAFR, contains three sections. The first is the introductory section, which provides general information on the City's structure, personnel, economic condition, and finances. The financial section includes the independent auditor's report, the general-purpose financial statements and related notes, and supplementary information. Finally, the statistical section includes pertinent financial and non-financial demographic data.

The format of the CAFR is designed to serve the needs of three primary users. CAFR information serves the City Council and other governmental oversight bodies, the public, and agencies assessing the City's creditworthiness.

DISCUSSION

The City's independent auditor completed audits of the City's financial statements and the other reports stated earlier. The audits found no exception to conformance with generally accepted accounting standards, the Government Auditing Standards issued by the Comptroller of the United States, or the U.S. Office of Management and Budget Circular A-133 for state and local governments.

Maze found the general-purpose financial statements present fairly, in all material ways, the City's financial position as of June 30, 2011. The audited financial statements include the statement of net assets, statements of activities and changes in net assets, balance sheets, statements of revenues, expenditures, and, changes in fund balances, and statements of cash flows.

The CAFR has been prepared in accordance with the requirements for GASB 34. The Governmental Accounting Standards Board (GASB) established this framework for the financial reports of state and local governments. Important financial statement changes highlighted in the CAFR Management Discussion and Analysis include:

- The assets of the City's exceeded its liabilities at fiscal year ending June 30, 2011 by \$332.3 million. Of this amount, \$283.3 million was invested in capital assets, net of related debt. The balance was restricted for capital projects of \$24.5 million, debt service \$5.2 million, special revenue \$7.7 million, and unrestricted \$11.4 million.
- The City's total net assets decreased by \$2.4 million; representing a \$7.2 million decrease in Governmental and a \$4.8 million increase in Business type activities. The net assets decrease was largely due to the increase in the Redevelopment Agency indebtedness with related non-capitalizable development expenses.
- The City's Governmental activities revenues increased by 2% mainly due to sales tax with an increase of \$4.2 million, and charges for services which increased by \$4.5 million. The increase in sales tax can be attributed to the voter approved quarter cent sales tax increase (Measure Z). The increase in charges for services of \$4.5 million is primarily due to the increase in permits and fees for the construction and building of the Kaiser Hospital and other governmental program revenues.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$60.5 million, an increase of \$747,480 compared to prior fiscal year.

- The City's business-type activities include the Water Pollution Control Plant, Shoreline, Storm Water Utility and Environmental Services. The net assets increased by \$4.8 million from prior fiscal year due to the increase in capital assets mainly due to land acquisition and new additions to machinery and equipment for the expansion of the water Pollution Control Plant.

The City has once again received an unqualified opinion (one that is without any reservations or qualifications on the opinion) which is the highest level of assurance that can be rendered by the auditors. This opinion assures that the City's financial statements are in conformity with accounting principles generally accepted in the United States and has been rendered on all of the City's funds, including the Redevelopment Agency of the City of San Leandro.

The City Council should note that the City was awarded the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2010 by the Government Finance Officers Association of the United States and Canada (GFOA). Staff has submitted this year's CAFR for the award and believes that the 2010-11 CAFR continues to meet the stringent standards of the GFOA Awards program.

CONCLUSION

Staff recommends that the Finance Committee accept and approve the City's Comprehensive Annual Financial Report (CAFR) for the Year Ended June 30, 2011.