

# City of Calistoga

## Staff Report

**TO:** Honorable Mayor and City Council  
**FROM:** Bill Mushallo, Administrative Services Director  
**DATE:** April 19, 2011  
**SUBJECT:** Presentation on the Audited Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2009/2010 and to receive and file report.

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**APPROVAL FOR FORWARDING:**

  
Richard D. Spittler, City Manager

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2 **ISSUE:** To hear a presentation by Terry E. Krieg, CPA, on the Fiscal Year 2009/2010  
3 audited Comprehensive Annual Financial Report (CAFR) and to receive and file report.  
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5 **RECOMMENDATION:** By motion, to receive and file report.  
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7 **BACKGROUND AND DISCUSSION:** The Comprehensive Annual Financial Report  
8 (CAFR) is an audited summary report of the financial transactions of the City for the  
9 Fiscal Year 2009/2010, ending June 30, 2010. The report is presented to the City Council  
10 and designed to provide summary financial information for citizens, other government  
11 agencies, municipal lenders and other interested parties. The format of this report  
12 complies with the generally accepted accounting principals (GAAP) and reporting  
13 requirements of the national Governmental Accounting Standards Board (GASB).  
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15 All of the financial detail, policies and procedures of the City were audited by Terry E.  
16 Krieg, CPA, according to national generally accepted auditing standards also issued by  
17 GASB. In his report, on page 1, Mr. Krieg provides an unqualified opinion of the City  
18 financial statements. Below is an excerpt from the Independent Auditor's Report;  
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20 "In my opinion, the financial statements referred to above present fairly, in all material  
21 respects, the respective financial position of the governmental activities, the business-type  
22 activities, each major fund, and the aggregate remaining fund information of the City of  
23 Calistoga, California as of June 30, 2010, and the respective changes in financial position,  
24 and where applicable, cash flows, thereof for the year then ended in conformity with  
25 accounting principles generally accepted in the United States of America."

26 For this fiscal year, the City revenues exceed \$500,000 in federal related funding and  
27 was required to produce a separate review and reporting on internal control over financial  
28 reporting and compliance with certain provisions related to federal funding. This is also  
29 known as the "single audit" report, which is in addition to the annual audit report.

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31 **GASB Statement No. 34 and No. 44 Reporting Requirements**

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33 In the June 30, 2004 CAFR, the City was required, for the first time, to implement GASB  
34 Statement No. 34 "*Basic Financial Statements – and Management's Discussion and*  
35 *Analysis – for State and Local Governments.*" GASB established new financial reporting  
36 requirements for all state and local governments. These requirements go beyond just  
37 reformatting the different financial statements to;

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  - Changing the accounting measurement focus, scope of reporting different funds  
40 and types of inflows and outflows of funds
  - Additional statements of net assets and activities and more detailed budgetary  
41 comparisons
  - Recording types of asset and liability information

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45 In addition, for this CAFR, the City is required to implement GASB Statement No. 44  
46 "*Economic Condition reporting: the Statistical Section*" requirements which requires  
47 specific formatted schedules of information going back ten years or to the implementation  
48 of GASB 34 requirements. We have included these schedules with information as of  
49 June 30, 2004, the implementation of GASB 34 requirements and to the extent the  
50 information is available. In future years, the schedules will be supplemented with  
51 additional information as it becomes available.

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53 The June 30, 2010 CAFR continues to comply with the GASB reporting standards.  
54 Below is a listing of the different sections in the report:

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  - Transmittal letter by the City Manager and Administrative Services Director
  - Auditor's Report
  - Management's Discussion and Analysis
  - Government-wide financial statements, prepared using the economic resources  
59 measurement focus and the accrual basis of accounting
  - Fund financial statements, consisting of a series of statements that focus on a  
60 government's major governmental funds and water/wastewater enterprise funds
  - Notes to financial statements
  - Required supplementary information, which requires budgetary comparison  
62 schedules to be presented
  - Supplemental statements
  - New Statistical schedules
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69 Additionally, a significant new feature in the GASB reporting is the recording of  
70 infrastructure, such as streets, roads, bridges, streetlights and similar type general  
71 assets. The City is not required to record infrastructure assets existing prior to July 1,  
72 2003.

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74 Under the auditing professional standards, the auditor is required to provide a separate  
75 communication to the City Council on specific issues regarding the conduct of the audit  
76 and other information relating to the financial statements and financial policies and  
77 practices of the City. The communication indicates that there were no issues or  
78 difficulties in conducting the audit. Attached is the communication for the June 30, 2010  
79 Comprehensive Annual Financial Report.

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81 **Completion of CAFR was delayed**

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83 City staff completed the process of "closing the City books" during September of last  
84 year. This involves reviewing and reconciling all of the 45 funds and over 1,000 separate  
85 accounts. During that process, the receivables, outstanding debt, assets and liability  
86 accounts are updated, revenue and expenditure accounts are reviewed and correcting  
87 journal entries made. Staff also sends out over two dozen confirmation letters and  
88 collects other financial and administrative information for the auditor to review.

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90 The audit field work was completed in December, however, the completion of the audit  
91 and a draft report was delayed due to the need for completion of a required actuarial  
92 valuation report regarding the City's unfunded OPEB liability. The final report was  
93 reviewed and completed over the last several weeks for presentation by the auditor to the  
94 City Council at this meeting.

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96 **FISCAL IMPACT:** None

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98 **ATTACHMENTS**

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100 1. Communication to Those Charged with Governance Letter from Auditor  
101 2. Audited Comprehensive Annual Financial Report (CAFR) as of June 30, 2010