

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: David W. Spilman, Administrative Services Director/City Treasurer
DATE: May 20, 2008
SUBJECT: Presentation of the Audited Comprehensive Annual Financial Report (CAFR) as of June 30, 2007

APPROVAL FOR FORWARDING:


James C. McCann, City Manager

1 **ISSUE:** To hear presentation by Terry E. Krieg, CPA, on the audited Comprehensive
2 Annual Financial Report (CAFR) as of June 30, 2007 and receive and file report.

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4 **RECOMMENDATION:** To receive and file report.

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6 **BACKGROUND/ DISCUSSION:** The Comprehensive Annual Financial Report
7 (CAFR) is an audited summary report of the financial transactions of the City for the
8 fiscal year ending June 30th of each year. The report is presented to the City Council
9 and designed to provide summary financial information for citizens, other government
10 agencies, municipal lenders and other interested parties. The format of this report
11 complies with the generally accepted accounting principals (GAAP) and reporting
12 requirements of the national Governmental Accounting Standards Board (GASB).

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14 All of the financial detail, policies and procedures of the City were audited by Terry E.
15 Krieg, CPA, according to national generally accepted auditing standards also issued
16 by GASB. In his report, on page 1, Mr. Krieg provides an unqualified opinion of the
17 City financial statements. Below is an excerpt from the Independent Auditor's
18 Report;

19
20 "In our opinion, the financial statements referred to above present fairly, in all material
21 respects, the respective financial position of the governmental activities, the
22 business-type activities, each major fund, and the aggregate remaining fund
23 information of the City of Calistoga, California as of June 30, 2007, and the respective
24 changes in financial position and cash flows, where applicable, thereof for the year
25 then ended in conformity with accounting principles generally accepted in the United
26 States of America."

27 For this fiscal year, the City revenues did not exceed \$500,000 in federal related
28 funding and was not required to produce a separate review and reporting on internal
29 control over financial reporting and compliance with certain provisions related to
30 federal funding. This is also known as the "single audit" report, which is an integral to
31 the annual audit report, if required.

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

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

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

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

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55 The June 30, 2007 CAFR continues to comply with the GASB reporting standards.
56 Below is a listing of the different sections in the report:

57

- 58 • Transmittal letter by the City Manager and Administrative Services Director
- 59 • Auditor's Report
- 60 • Management's Discussion and Analysis
- 61 • Government-wide financial statements, prepared using the economic
- 62 resources measurement focus and the accrual basis of accounting
- 63 • Fund financial statements, consisting of a series of statements that focus on a
- 64 government's major governmental funds and water/wastewater enterprise
- 65 funds
- 66 • Notes to financial statements
- 67 • Required supplementary information, which requires budgetary comparison
- 68 schedules to be presented
- 69 • Supplemental statements
- 70 • New Statistical schedules

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72 Additionally, a significant new feature in the GASB reporting is the recording of
73 infrastructure, such as streets, roads, bridges, streetlights and similar type general
74 assets. The City is not required to record infrastructure assets existing prior to July 1,
75 2003.

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77 Under the auditing professional standards, the auditor is required to provide a
78 separate communication to the City Council on specific issues regarding the conduct
79 of the audit and other information relating to the financial statements and financial
80 policies and practices of the City. The communication indicates that there were no
81 issues or difficulties in conducting the audit. Attached is the communication for the
82 June 30, 2007 Comprehensive Annual Financial Report.

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84 **Completion of CAFR was delayed**

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

93
94 The audit field work was completed in September, however, the completion of the
95 audit and a draft report was delayed until due to staff work loads. The final report
96 was reviewed and completed over the last several weeks for presentation by the
97 auditor to the City Council at this meeting.

98
99 The City Manager and I will closely review the workloads over the next few months to
100 insure a more timely completion of the June 30, 2008 audit by December 2008.

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103 **FISCAL IMPACT:** None directly.

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105 **ATTACHMENTS:**

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107 The following items will be available in the City Clerks Office:

- 108
109 1. Audited Comprehensive Annual Financial Report (CAFR) as of June 30, 2007
110 2. Communication to Those Charged with Governance Letter from Auditor