



AGENDA REPORT

Meeting Date: January 29, 2008
Item Number: E-2
To: Honorable Mayor & City Council
From: Scott Miller, Chief Financial Officer,
Noel Marquis, Assistant Director of Administrative Services - Finance, &
Sharon Rahban, CPA, Accounting Manager
Subject: Presentation of the FY 2006-2007 Comprehensive Annual Financial Report
Attachments: 1. The FY 2006-2007 Comprehensive Annual Financial Report
(Distributed on January 29, 2008)

INTRODUCTION

We would like to present the FY2006-2007 CAFR for the Council's review, acceptance, and filing. The Administrative Services department has worked diligently in conjunction with the auditors to complete the yearly audit and to put this report together. This is the second year of the City's use of the audit firm Mayer Hoffman McCann P.C.

Overall, the auditors found the City's financial statements comply with required governmental and financial accounting standards as imposed by the Governmental and Financial Accounting Standards Boards (GASB and FASB). In addition, the auditors found that the City's financial statements appropriately portray the City's financial position and results of operations as of and for the year ended June 30, 2007.

Further, the auditors found no material weakness or significant deficiency and found that all operational aspects meet governmental standards. A new requirement of the Auditing Standards Board requires auditors to comment on operational recommendations. The auditors made three suggestions for greater operational efficiency which is currently being reviewed by the Administrative Services Department.

A few of the financial highlights regarding FY 2006-2007 are:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$496,464,306 (net assets). Of this amount, \$214,738,912 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$37.6 million during the current fiscal year, an 8.2% increase over the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$119,953,112, an increase of \$10,655,739 from the prior year. Of this amount, \$85,642,552 or approximately 71.4% of total fund balances are available for spending at the City's discretion (unreserved fund balance).
- The largest portion of the City's net assets (46.0%) reflects its investment in capital assets (e.g., land, buildings, utility and general government infrastructure, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.
- An additional portion of the City's net assets (10.7%) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets 30.1% is for repayment of long-term debt, 23.8% is for pension contributions, 17.3% is for construction of capital assets (unspent proceeds from long-term debt issues) 28.8% relates to restrictions in the City's special revenue and permanent funds.
- The City's net long-term liabilities increased by \$62,975,115 or 27.06% as the result of the Public Financing Authorities 2007 Lease Revenue Bonds in the amount of \$81,600,000 and Water Revenue Bonds in the amount of \$34,495,000. The 2007 Lease Revenue Bonds were issued in part to advance refund the 1998 and 1999 Lease Revenue Bonds and to provide funding for several capital projects. The 2007 Water Revenue Bonds were issued to replace a \$10 million gallon reservoir damaged in the 1994 Northridge earthquake.

S.R.
Sharon Rahban, Accounting Manager

Finance Approval


Scott Miller, CFO

Approved By