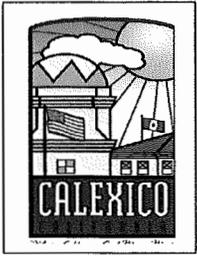


AGENDA
ITEM

15



AGENDA STAFF REPORT

DATE: April 18, 2018

TO: Mayor and City Council

PREPARED BY: David Dale, City Manager *DD*

SUBJECT: June 30, 2017 Audited Financial Statements, Federal Single Audit Report, Transportation Development Act Financial Statements, and Letter of Auditor Communications

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Recommendation:

It is recommended that the City Council receive and file the City's June 30, 2017 audited financial statements, Federal Single Audit Report, Transportation Development Act Financial Statements, and Letter of Auditor Communications.

Background:

The City has completed the independent audit of its June 30, 2017 financial statements, Federal Single Audit Report, Transportation Development Act Financial Statements, and Letter of Auditor Communications. This agenda item transmits the final reports to the City Council and to the public. These reports are for information only; no City Council action is proposed at this time.

Discussion & Analysis:

The City's bond agreements and federal grant programs require an annual independent financial audit of the City's financial statements. Federal grant programs also require an annual audit of compliance with grant provisions. The City has contracted with an independent certified public accountant to complete the required audits. The Pun Group has conducted the audit for 2017. Ken Pun, Partner, will be available during the City Council meeting to present the audit report and to address any inquiries by the City Council.

Fiscal Impact:

On June 30, 2017, the General Fund working capital balance of current assets net of current liabilities was in a deficit of \$363,164 (excluding Measure H). These results are slightly improved from the last update provided to the City Council on January 24, 2018. The City anticipates clearing this June 30, 2017 working capital deficit during the 2017-18 fiscal year. The General Fund's total Fund Balance remains a deficit at approximately (\$3.0) million. To finance this deficit, on June 30, 2016, the City Council authorized a long-term financing lease from the Wastewater Fund. The purpose of the loan was to provide the City with a work-out period to rebalance

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its operating budget; build a long-term financial strategy; and rebuild contingency reserves to provide future stability for the City. The City completed the first of five scheduled annual payments to the Wastewater Fund during 2016-17 and has budgeted to complete the second payment during 2017-18. The City continues on its scheduled path to clear its General Fund deficit.

The City's Single Audit report continues a number of prior year internal control findings related to staffing in the Finance Department. The report also continues prior year compliance findings related to administration of the City's housing grant programs and housing loan portfolio. The City is addressing Finance department staffing through active recruitment and is nearing completion of an eight- year reconstruction of the City's loan transactions to bring current its housing loan accounting records. The City anticipates improving its federal grant compliance in the 2017-18 fiscal year.

Attachments:

- 1) Basic Financial Statements and Independent Auditor's Report for the Year Ended June 30, 2017.
- 2) Single Audit and Independent Auditor's Report for the year ended June 30, 2017.
- 3) Transportation Development Act Financial Statements and Independent Auditor's Report for the years ended June 30, 2017 and 2016.
- 4) Letter of Auditor Communications.