



AGENCY:	City Council/MID
MEETING DATE:	February 24, 2014
DEPARTMENT:	Finance
PREPARED BY:	R. Cimolino
PRESENTED BY:	R. Cimolino

AGENDA ITEM SUMMARY

TITLE:

RECEIVE PRESENTATION BY MOSS, LEVY & HARTZHEIM ON THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE YEAR ENDED JUNE 30, 2013, FOR THE CITY OF FORT BRAGG AND FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT NO. 1 AND CONSIDER ACCEPTING THE CAFR AS PRESENTED

ISSUE:

As required by the standards set forth by the Comptroller General of the United States, an independent audit of the City's financial records must be performed on an annual basis. The financial records include those of the City of Fort Bragg ("City") and its component unit: the Fort Bragg Municipal Improvement District No. 1 ("District").

An audit review for the City and District has been performed and completed by Moss, Levy & Hartzheim, an independent audit firm. Copies of the reports will be forwarded to all Federal, State and banking entities as necessary.

Mr. Derek Rampone, CPA, of Moss, Levy & Hartzheim will present the report and respond to any questions that are raised.

RECOMMENDED ACTION:

Accept, by motion, the Comprehensive Annual Financial Report as presented.

ALTERNATIVE ACTION(S):

None

ANALYSIS:

The basic financial statements of the City and its component unit have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government agencies, and also in accordance with the principles established by the Governmental Accounting Standards Board (GASB). The scope of work performed by the auditors encompassed examinations of all funds and financial transactions of the City, including the District. The auditors also report to the Council their findings and recommendations regarding the City's internal control structure and compliance with terms of grant agreements.

The results of the City's financial activities and final audit can be found at the beginning of the Financial section in the attached Comprehensive Annual Financial Report (CAFR). The CAFR contains financial information and data regarding City finances and economics in addition to the final audited financial statements. The report includes all funds and account groups and component government entities of the City and is presented in three sections:

- Introductory;
- Financial; and

- Statistical.

The Introductory section contains a letter of transmittal and an organizational chart of the City and principal officials. The Financial section contains Management's Discussion and Analysis (MD&A), the basic financial statements, notes to the basic financial statements, individual fund statements, and the independent auditors' report on these financial statements and schedules. The MD&A provides key highlights and a summary view of financial information in the report. The Statistical section includes financial trend, revenue capacity, debt capacity, demographic, economic, and operating information generally presented on a multi-year basis to give interested parties a more comprehensive view of the City.

The CAFR has been prepared using the expanded financial reporting requirements prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The first two basic financial statements, the statement of net assets and the statement of activities present information on a government-wide, full-accrual accounting basis which reflects the overall financial position of the City and its various funds, not just the amounts available for budgetary purposes. Fund information is also presented for major funds individually and nonmajor funds combined in a single column. Budgetary comparisons are presented as part of the basic financial statements for the major funds that have legally adopted budgets.

Staff suggests that Councilmembers may wish to focus their attention on the MD&A and the notes to the basic financial statements. The MD&A provides a narrative introduction, overview and analysis of the basic financial statements. The notes to the basic financial statements provide required detailed disclosures and a description of the financial statements.

Incorporated within the CAFR at the beginning of the Financial section is the Independent Auditors' Report. In the auditors' opinion, the basic financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2013.

The CAFR is the major document used to communicate the City's financial condition. It is distributed to various bond-rating agencies, banking institutions, and the State Controller for use in evaluating City finances.

As noted above, the financial statements in the CAFR are prepared on a GAAP basis. It should be noted the net position and fund balances reported in the CAFR do not reconcile in all funds to the budget report or the annual budget document. This is because net position and fund balances (equity) are reported in the CAFR without regard to availability of funds for current budgetary purposes. Balances used in the budget are those amounts which are available in the coming fiscal year. There were no major findings as a result of the audit that would impact the balances used for the Fiscal Year 2013-14 Budget.

Net Position represents the most simple test of financial health for the City, indicating The excess (or deficit) of assets over liabilities. Net Position is used as a measure of "net worth" rather than as a measure of expendable available financial resources. The City's Total Net Position is a combination of all City funds including governmental funds that are used for tax-supported activities as well as proprietary funds for business-type activities. The General Fund is the major fund with activities supported by taxes. Proprietary funds include the Water, Wastewater, and C.V. Starr enterprise funds.

There are three components of net position: capital assets (net of related debt), restricted, and unrestricted. By far, the largest portion of the City's net position (approximately 85%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets

are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately 5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Management Report and Auditor's Communication Letter

This report contains deficiencies in internal control noted -during the audit with recommendations to help the City make improvements and achieve operational efficiencies. Management responses to the findings are included in the report.

FISCAL IMPACT:

There is no fiscal impact with the presentation of this item.

IMPLEMENTATION/TIMEFRAMES:

Not applicable

ATTACHMENTS:

1. City of Fort Bragg Comprehensive Annual Financial Report, Together with Independent Auditors' Report for the Year Ended June 30, 2013.
2. Fort Bragg Municipal Improvement District No. 1 Financial Statements, Together with Independent Auditors' Report for the Year Ended June 30, 2013. (will be distributed separately)
3. City of Fort Bragg Management Report and Auditor's Communication Letter

NOTIFICATION:

1. Derek Rampone, CPA, Moss, Levy & Hartzheim

City Clerk's Office Use Only

Agency Action ☐ Approved ☐ Denied ☐ Approved as Amended

Resolution No.: _____ Ordinance No.: _____

Moved by: _____ Seconded by: _____

Vote: _____

☐ Deferred/Continued to meeting of: _____

☐ Referred to: _____