



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 13, 2011

TO: Mayor and Councilmembers

FROM: Accounting Division, Finance Department

SUBJECT: Comprehensive Annual Financial Report (CAFR) For The Fiscal Year Ended June 30, 2011

RECOMMENDATION: That Council:

- A. Receive a report from staff on the Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011; and
- B. Accept the Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011.

DISCUSSION:

Pursuant to City Charter, Finance Department staff has prepared the City's annual financial statements for the fiscal year ended June 30, 2011. Each year, financial statements are prepared to report on the financial condition of the City as a whole, as well as individual funds/operations that are included within the City's operations.

While only certain financial statements and schedules are required by both state law and the City Charter, the basic financial statements have been expanded to include other required information and elements needed to be considered for an award for excellence in financial reporting from the Government Finance Officers Association (GFOA), which recognizes the highest standards of financial reporting. As such, the expanded financial statements and other information included in the report are collectively referred to as a Comprehensive Annual Financial Report ("CAFR"). In addition to allowing the CAFR to be considered for the GFOA award for financial reporting, the financial statements are expanded to enable the community and other interested parties to obtain a better and more complete understanding of the City's finances and operations.

The financial statements were audited by the independent public accounting firm of Lance, Soll & Lunghard, LLP (LSL), whose unqualified opinion is included within the financial section of the report. An unqualified opinion indicates that the financial statements present fairly the financial position of the City of Santa Barbara as of June 30, 2011, and the results of operations, in accordance with generally accepted accounting principles. As part of the audit, LSL also reviewed and performed tests of the City's internal accounting

control procedures to determine if there are any material weaknesses or instances of non-compliance. Based on the audit, no instances of non-compliance or material weaknesses were noted.

The primary purpose of the CAFR is to allow readers to assess the financial condition of the City at the end of each year, and demonstrate whether its financial condition has improved or deteriorated in relation to the prior year. Starting in fiscal year 2002, the City implemented Governmental Accounting Standards Board Statement Number 34 (GASB 34), which dramatically changed the reporting requirements of governments nationwide. One of the key changes was the addition of entity-wide reporting. Previously, the level of financial reporting was at the fund level. In contrast, the entity-wide statements consolidate all City funds and operations into two major categories and require the use of accrual accounting. These changes are designed to align government accounting and reporting to the private sector and, thus, allow readers to better assess the financial health of a government.

The CAFR is divided into three major sections: the introductory section, the financial section, and the statistical section. The introductory section includes the letter of transmittal, a directory of City officials, and an organizational chart. The financial section includes the independent auditors' report (as noted above), management's discussion and analysis (MD&A), and the financial statements, including notes. The statistical section includes financial trend information as well as demographic information about the City.

Staff will present the CAFR to the Finance Committee just prior to the Council's afternoon session. A representative from LSL will be present to provide the Finance Committee and Council with a summary of the audit and the results thereof.

The Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2011 is available for review in the City Clerk's Office and the Finance Department. An electronic version of the CAFR will be available on the internet at <http://www.santabarbaraca.gov/Government/Finance/> no later than December 16, 2011.

PREPARED BY: Ruby Carrillo, Accounting Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office