



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** December 15, 2009

**TO:** Mayor and Councilmembers

**FROM:** Accounting Division, Finance Department

**SUBJECT:** Comprehensive Annual Financial Report (CAFR) For The Fiscal Year Ended June 30, 2009

**RECOMMENDATION:** That Council:

- A. Receive a report from staff on the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009; and
- B. Accept the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009.

### DISCUSSION:

Pursuant to City Charter, Finance Department staff has prepared the City's annual financial statements for the fiscal year ended June 30, 2009. The basic financial statements have been expanded, as they are each year, to include other required information and elements needed to be considered for an award for excellence in financial reporting from the Government Finance Officer's Association (GFOA). As such, the statements are referred to collectively as a "Comprehensive Annual Financial Report" (CAFR).

The financial statements were audited by the independent public accounting firm of Caporicci & Larson, Certified Public Accountants, 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, 2009, and the results of operations in accordance with generally accepted accounting principles. As part of the audit, the audit firm 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 CAFR is divided into three (3) 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 organization chart. The financial section

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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.

The City reports its financial statements using Governmental Accounting Standards Board Statement No. 34 (GASB 34). The intent of GASB 34 is to move governmental accounting and reporting closer to that of the private sector so that readers can assess the financial health of the City at the end of the year, and determine whether the City's financial condition is improving or deteriorating over time.

The MD&A contains detailed discussion and analysis of the financial information contained in the report, at both the city-wide level and fund level. It includes explanations of revenues, expenses and year-end balances of assets and liabilities. It also provides a comparative analysis to prior year results. The purpose of the MD&A is to assist readers of the financial statements with their understanding and assessment of the financial condition of the City as a whole.

The Government-wide financial statements, present a higher level of reporting by consolidating all funds of the City into one of two categories: Business-Type Activities or Government-Type Activities. In addition, the government-wide statements present all activities on an accrual basis of accounting, similar to what is used in the private sector. The purpose of the statements is to allow readers to assess the financial condition of the City as a whole in the same manner that they would be able to assess the financial condition of private sector entities.

The government-wide statements include a Statement of Net Assets, which reports all assets and liabilities of the City, with the difference being net assets, and a Statement of Activities that presents revenues and expenses and the net change in net assets during the year. They also include all infrastructure assets, (including roads, sidewalks, curbs & gutters, storm drains, street lights, bridges, traffic signals, water pipes, sewer pipes, and other similar assets), and include the deterioration of these assets (represented by annual depreciation expense).

The fund financial statements and the notes to the statements are an integral part of the CAFR. They provide important information on operations, assets, liabilities, and other important information needed to assess the financial position and financial health of the City.

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

**Note:** Copies of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2009 can be found at the City Clerk's Office, the City Administrator's Office, or in the Finance Department's Office.

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**SUBMITTED BY:** Robert Samario, Interim Finance Director

**APPROVED BY:** City Administrator's Office