

National Policy Institute on Public Finance Management and Bonds

Local Government Financial Reporting

December 6, 2019

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Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

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Budgets vs Financial Reporting

- Budgets
 - Where you expect to be.
 - Decision-making policy document that links goals with resources.
- Financial Reporting
 - Where you've been, where you are.
 - Analytical document that informs decision-making.
 - Knowing where you've been and where you are helps guide where you're going.

2

State and Local Financial Reporting

- Can be more complex than private sector in meeting "generally accepted accounting standards" (GAAP).
 - Meet all "Financial Accounting Standards Board" (FASB) requirements.
 - Plus "Governmental Accounting Standards Board" (GASB) requirements.
 - ❖ Authoritative body in setting state and local government GAAP.
 - ❖ Since its founding in 1984, issued 91 statements (and more are under consideration).

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Effective financial reporting

- is about effectively telling your financial story.
 - For a number of reasons, this can be difficult.
- But if you have difficulty understanding your agency's fiscal story ...
 - The problem is not with you, but with the storyteller.

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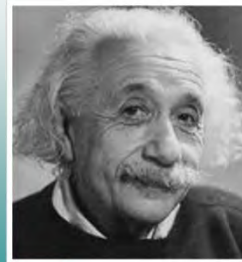
The Facts of Life

- Simple is hard.

**"I'd have written a shorter letter but I didn't have the time."
... Mark Twain**

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Complex is easy, simple is hard.



"Make everything as simple as possible, but not simpler. Any intelligent fool can make things bigger and more complex. It takes a touch of genius - and a lot of courage - to move in the opposite direction."

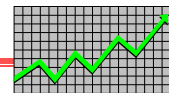
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5 Tips on Telling Your Agency's Fiscal Story

What to look for (and expect) in annual and interim reports (and budgets and financial plans)

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Fiscal Story-Telling



- "The unexamined life is not worth living."
..... Socrates – a long time ago
- "Unexamined data is not worth having."
..... Bill Statler – pretty recently

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Fiscal stories and mystery novels

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What is the story?

- What's the plot?
- Who are the characters?
- Why do we care what happens to them?
- What's the moral?

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1 The Data Triangle

Three Chapters in Your Fiscal Story

- Narrative
 - Short, punchy
 - What's it mean?
- Summary Charts
 - The fewest things that explain the most stuff
- Raw Data
 - Timely, accurate
 - Exhibit, on file or on-line

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2 Communicating complex numbers

- Regardless of size, local government finances can be very complicated.
 - Often more so than the private sector.
- Best way of communicating complex numbers?
 - Communicate what they mean.

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Corollary

- There's no good news or bad news.
- Only unexpected news.

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③ Pareto Principle

- Fewest things that explain the most amount of stuff.

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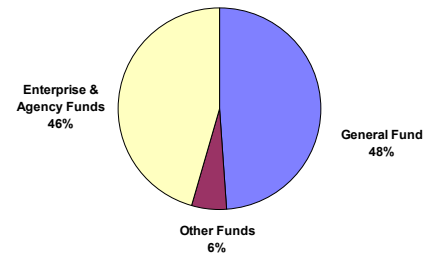
City Example

Fiscal story can often be presented in five simple graphics showing where city funds come from and where they go.

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Total Funding Sources

Expenditures By Fund - \$73.5 Million

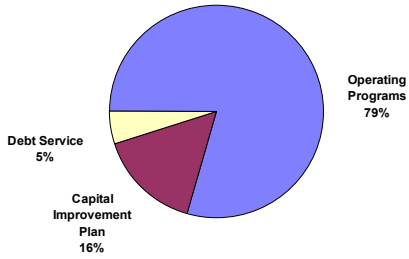


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General Fund Expenditures

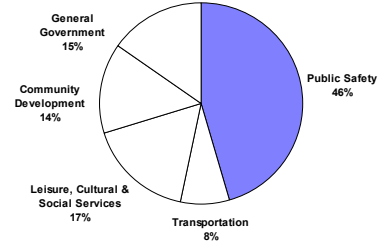
General Fund Expenditures and Uses - \$35.8 Million



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General Fund Operating Costs

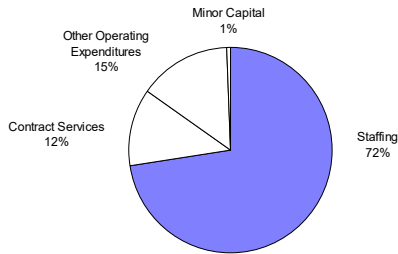
General Fund Operating - \$28.2 Million



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General Fund Operating Costs

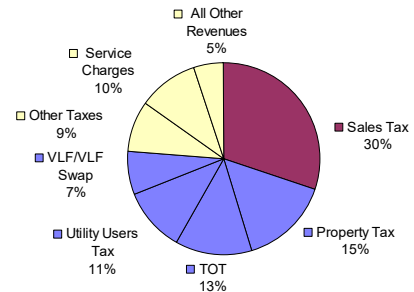
General Fund Operating - \$28.2 Million



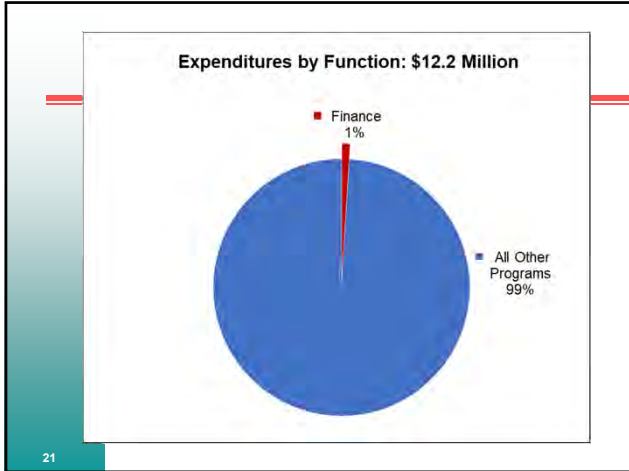
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General Fund Revenues

General Fund Revenues - \$33.1 Million



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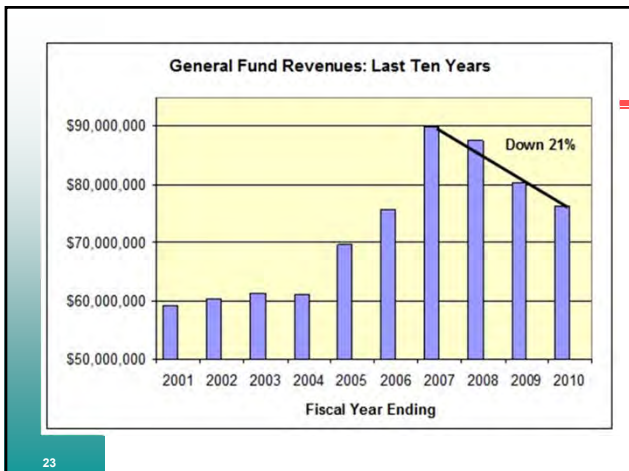


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Where You've Been

- In some cases, it may be helpful to show where you've been.

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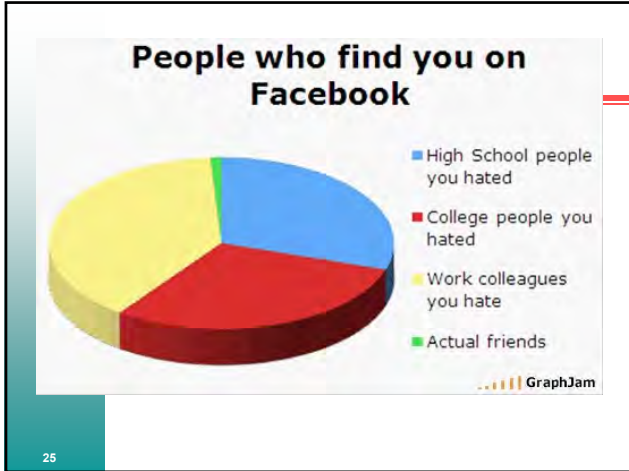


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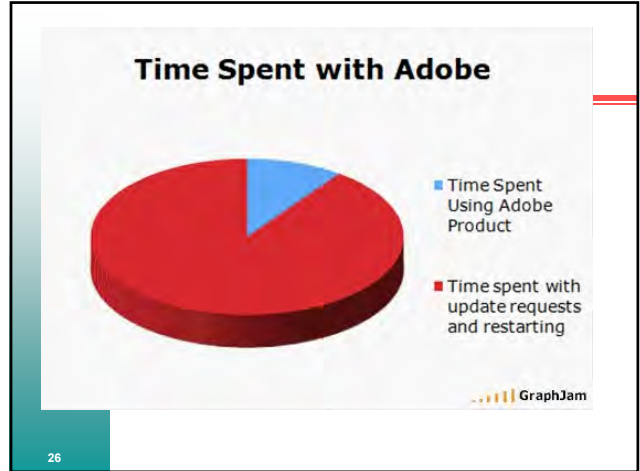
Using Charts and Graphs

Beyond Just "Numbers"

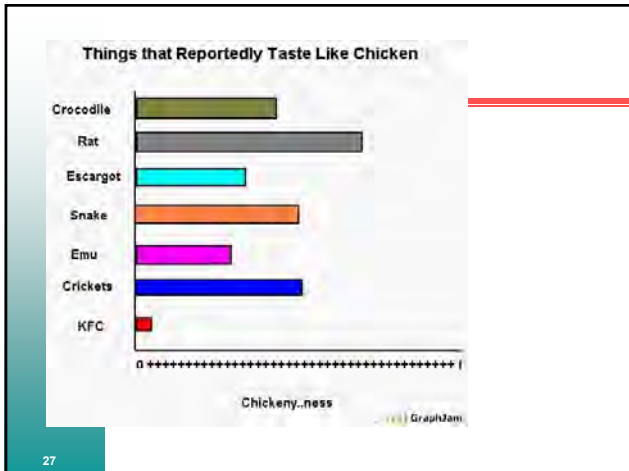
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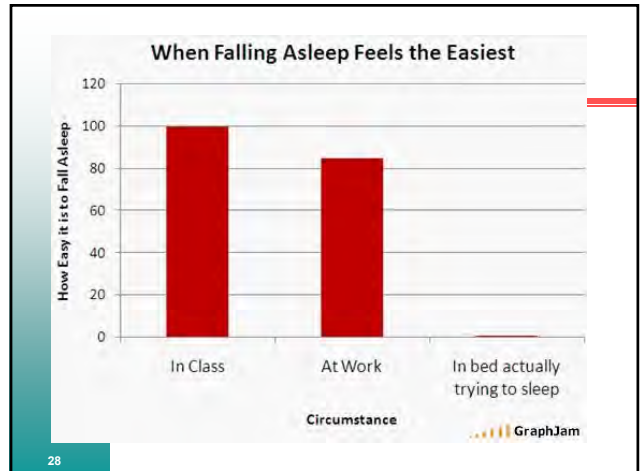
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4 Asking Why to the Fifth Level

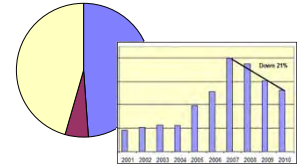
- *“Before we try to explain something, we should be sure it actually happened.”*
- Ray Hyman
- *“It ain’t what you don’t know that will get you in trouble. It’s what you know for sure that just ain’t so.”*
- Mark Twain

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5 Zen Data

- Data has no meaning unless placed in some context, usually in comparison with something else:
 - Others
 - Time
 - Expectation



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Variance Analysis

- What did you expect?
 - How does the actual result compare with what you expected?
 - Why is it different?
 - What’s it mean?

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Variance Analysis

Changes in General Fund Balance	
Revenues	34,077,500
Expenditures *	25,845,400
Other Sources (Uses)	(7,654,100)
Sources Over (Under) Uses	578,000
Beginning Balance	7,970,100
Available Ending Balance	\$ 8,548,100

* Includes encumbrances of \$571,000.

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Variance Analysis

	Budget	Actual	Variance	
			Amount	%
Revenues	35,100,500	34,077,500	(1,023,000)	-3%
Expenditures *	25,900,200	25,845,400	54,800	0%
Other Sources (Uses)	(7,650,400)	(7,654,100)	(3,700)	0%
Revenues Over				
(Under) Expenditures	1,549,900	578,000	(971,900)	
Beginning Balance	7,970,100	7,970,100	-	
Available Ending Balance	9,520,000	8,548,100	(971,900)	-10%

* Includes encumbrances of \$571,000.

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Or ...

	Budget	Actual	Variance	
			Amount	%
Revenues	32,991,100	34,077,500	1,086,400	3%
Expenditures *	26,244,500	25,845,400	399,100	2%
Other Sources (Uses)	(7,734,300)	(7,654,100)	80,200	1%
Revenues Over				
(Under) Expenditures	(987,700)	578,000	1,565,700	
Beginning Balance	7,970,100	7,970,100	-	
Available Ending Balance	6,982,400	8,548,100	1,565,700	22%

* Includes encumbrances of \$571,000.

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Variance Analysis

	Budget	Actual	Variance	
			Amount	%
Sales tax	9,794,000	9,516,400	(277,600)	-3%
Property tax	4,737,400	4,799,800	62,400	1%
Utility users tax	3,202,300	3,425,200	222,900	7%
TOT	3,905,100	3,920,200	15,100	0%
VLF	2,269,400	2,297,700	28,300	1%
Business tax	1,265,000	1,275,200	10,200	1%
Dev review fees	1,746,100	2,044,800	298,700	17%
Franchise fees	1,133,200	1,211,800	78,600	7%
Recreation fees	887,900	1,002,300	114,400	13%
Interest earnings	950,000	1,156,700	206,700	22%
FEMA grant		282,500	282,500	--
Other revenues	3,100,700	3,144,900	44,200	1%
TOTAL	32,991,100	34,077,500	1,086,400	3%

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Variance Analysis

By Function	Budget	Actual	Variance	
			Amount	%
Public Safety	12,503,100	12,256,900	246,200	2%
Transportation	1,763,100	1,709,700	53,400	3%
Leisure, Cultural & Social Serv	4,309,800	4,213,300	96,500	2%
Community Development	4,037,800	3,701,200	336,600	8%
General Govt	4,307,300	3,964,300	343,000	8%
Total Programs	26,921,100	25,845,400	1,075,700	4%
Est Savings	(676,700)		(676,700)	
TOTAL	26,244,400	25,845,400	399,000	2%

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Not Just in Government

Cisco earnings top estimates

TECH BELLWETHER SAYS SHORT TERM REMAINS 'CHALLENGING'

ASSOCIATED PRESS

SAN JOSE — Cisco Systems Inc. posted a net loss of \$268 million in its fiscal first quarter, beating Wall Street's expectations, as executives forecast another revenue growth in the second quarter.

Despite the better-than-expected results, the company said continued economic uncertainty and the effects of the Sept. 11 attacks make both short-term and long-term forecasting difficult at best.

"We expect higher peaks, lower valleys and faster transitions between the two," said Cisco chief executive John Chambers on Monday. "We're optimistic, but the short-term remains very challenging."

For the three months ended Oct. 27, Cisco lost

4 cents per share, compared with a profit of \$796 million, or 11 cents per share, in the same period a year ago.

Excluding one-time items, the company earned \$332 million, or 4 cents per share, compared with \$1.4 billion, or 18 cents per share, a year ago.

Analysts were expecting a profit of 2 cents a share, according to a survey by Thomson Financial/First Call.

The results included a \$856 million charge to write down the value of investments, \$189 million for two acquisitions and a \$37 million write-off of in-process research and development.

Revenue for the first quarter fell 32 percent, to \$4.4 billion over a year ago, but increased 3 percent over the previous quarter's \$4.3 billion. Analysts were expecting first-quarter sales of \$4.2 billion.

For the second quarter, Chambers said revenue growth would be the same or up slightly compared with the first.

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Financial Reporting Principles

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Fund Accounting Concepts

Or what makes governmental accounting and financial reporting different

- Governmental Funds
 - General Fund
 - Special Revenue Funds
 - Capital Project Funds
 - Debt Service Funds
 - Permanent Funds (Trust)

- Proprietary Funds
 - Enterprise Funds
 - Internal Service Funds
- Fiduciary Funds
 - Pension Funds
 - Investment Trust (pools)
 - Private-Purpose Trusts
 - Agency Funds (pure custodial)

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Two Types of Reports

- Annual
 - Basic Financial Statements
 - Comprehensive Annual Financial Report
- Interim
 - On-Line: 24/7
 - Monthly
 - Quarterly
 - Special Ad Hoc Reports
 - ❖ Sales tax
 - ❖ TOT
 - ❖ Cash/Investments
 - Mid-Year Budget Review
 - Budget

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Annual Reporting

Basic Financial Statements

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Elements of Basic Financial Statements

- Auditors' Opinion
 - Goal: "Unqualified" opinion that financial statements fairly present financial condition in accordance with GAAP."
- Financial Statements
- Notes to the Financial Statements
- Required Supplemental Information

Issue within 180 days after fiscal year-end

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About Independent Auditors

- Provide opinion ("assurance") about fairness of financial statements in presenting financial condition in accordance with GAAP.
 - Financial statements are management's responsibility.
 - Auditors do not prepare them: they audit them.
- Work for governing body, not management
 - Communicate with "those charged with governance" about any current control deficiencies they consider significant or material weaknesses.
 - Candidly discuss any concerns.

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Financial Model Overview

- Two Distinct Financial Statements
 - Government-Wide
 - Fund-Based

Governmental Accounting Standards Series

Statement No. 34 of the Governmental Accounting Standards Board

Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD OF THE FINANCIAL ACCOUNTING FOUNDATION

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Government-Wide Statements

- Consolidated financial statements for all of the agency's operations
- Full accrual basis of accounting
- Depreciation on all assets
- Not presented on fund basis; two major activities
 - Governmental
 - Business-Type
- Net position focus:
 - Assets - Liabilities = Net Position
- Costs shown both "gross" and "net" of related revenues such as fees and grants

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Function/Program	Program Revenues				Net (Expense) Revenues and Changes in Net Assets		Total
	Expenses	Indirect Expense Allocation	Charges for Services/Contributions	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities							
Public safety	\$34,760,300	1,303,700	1,750,700	711,700		(25,535,500)	(25,535,500)
Transportation	3,661,100	2,112,900	418,000	1,375,600	983,900	(3,000,500)	(3,000,500)
Lawson, cultural and social services	7,706,200	1,794,100	1,834,200			(7,666,100)	(7,666,100)
Community development	7,989,200	789,000	4,563,200	63,400	1,637,900	(3,117,700)	(3,117,700)
General government	8,530,300	(7,905,700)	599,300	27,400			
Interest on long-term debt	1,198,000					(1,198,000)	(1,198,000)
Total governmental activities	55,876,000	-	8,165,300	2,180,100	2,021,800	(42,511,800)	(42,511,800)
Business-type activities							
Water	17,455,200		14,753,100			(702,100)	(702,100)
Sewer	8,530,400		14,789,700			5,259,300	5,259,300
Parking	3,598,000		3,333,300			(64,700)	(64,700)
Tennis	3,738,000		352,000	2,967,500	750,000	77,500	77,500
Total business-type activities	34,321,500	-	33,628,000	2,567,500	750,000	4,519,900	4,519,900
General revenues:							
General sales and use taxes					13,290,000	13,290,000	13,290,000
Measure Y 1/2 cent sales and use tax					6,237,500	6,237,500	6,237,500
Property taxes					8,367,000	8,367,000	8,367,000
Transient occupancy tax (TOT)					5,222,000	5,222,000	5,222,000
Utility users tax					4,584,100	4,584,100	4,584,100
Property tax on less of vehicle license fees					3,492,400	3,492,400	3,492,400
Franchise fees					2,462,300	2,462,300	2,462,300
Business tax					1,837,500	1,837,500	1,837,500
Discretionary government earnings					778,100	778,100	1,496,200
Vehicle license fees (State subvention)					45,000	45,000	45,000
Other taxes					181,000	181,000	181,000
Transfers					1,820,900	(1,820,900)	-
Total general revenues and transfers					48,311,000	(1,094,800)	47,216,200
Change in net assets					5,799,200	3,415,100	9,214,300
Net assets - beginning					162,091,100	1,563,400	118,676,500
Net assets - ending					\$167,890,300	\$1,618,500	\$127,891,800

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Fund Statements

- Meet Stewardship and Accountability Concerns
 - Presented on fund basis
 - ❖ Modified accrual for governmental funds
 - ❖ Full accrual for proprietary funds
- Significant differences between these two financial statements
- Detailed reconciliation between the two statements required
- Focus on major (large) individual funds

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	Developmental				Other		Total
	General Fund	Impact Fee Fund	Resolving Fund	Business & Fund	Governmental Funds	Proprietary Funds	
REVENUES							
Property taxes	\$ 2,251,847	\$ -	\$ -	\$ -	\$ 498,360	\$ -	\$ 2,750,207
Grants	1,026,000	-	-	-	-	-	1,026,000
Transient occupancy fees	3,503,821	-	-	-	-	-	3,503,821
Other taxes	127,541	-	-	-	-	-	127,541
Franchise fees	614,506	-	-	-	-	-	614,506
Special assessments	-	-	-	-	327,985	-	327,985
License and permits	138,788	-	-	-	-	-	138,788
Fees and tariffs	60,192	-	-	-	-	-	60,192
Intergovernmental	21,172	-	1,199,000	197,898	172,833	2,228,803	2,228,803
Interest	(58,287)	38,600	-	-	32,208	25,717	16,187
Charges for services	263,549	164,427	-	-	-	-	427,976
Miscellaneous	10,680	-	-	-	-	-	10,680
Total revenues	6,065,737	142,447	1,199,000	719,700	2,098,494	-	13,283,223
EXPENDITURES							
General government	3,048,752	-	-	-	5,824	-	3,054,576
Public safety	3,553,000	-	-	-	18,875	-	3,571,875
Public works and utility	782,415	-	-	-	228,387	-	1,010,802
Public and recreation	400,335	-	-	-	1,074,180	-	1,474,515
Capital outlay	125,064	613,369	1,180,000	162,300	-	3,121	2,978,754
Debt service	-	-	-	-	-	160,200	160,200
Principal	-	-	-	-	-	16,000	16,000
Interest	-	-	-	-	-	144,200	144,200
Total expenditures	6,607,799	613,369	1,180,000	162,300	2,487,434	17,021	13,296,331
Excess (deficiency) of revenues over (under)expenditures	457,938	(470,922)	-	-	319,244	(388,871)	(19,600)
OTHER FINANCING SOURCES (USES)							
Transfers in	608,711	-	-	-	613,547	1,236,304	2,458,162
Transfers out	(1,472,254)	(13,000)	-	-	(127,800)	(848,000)	(2,482,054)
Total other financing sources (uses)	(863,543)	(13,000)	-	-	485,747	388,304	(2,023,892)
Net change in fund balances	(405,605)	(603,922)	-	-	(168,190)	4,000	(78,000)
Fund balances, July 1	6,677,495	2,662,441	34,191	1,217,495	2,864,110	-	13,455,726
Fund balances, June 30	\$ 6,271,890	\$ 2,058,519	\$ 34,191	\$ 1,217,495	\$ 2,695,920	\$ -	\$ 13,417,724

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	WATER	SEWER	PARKING	TRANSIT	GOLF	TOTAL
OPERATING REVENUES						
Charges for sales and service	\$ 13,177,900	13,128,400	2,802,400	584,000	133,900	30,026,500
Impact fees	448,200	93,700				541,900
Fines and forfeitures			890,500			890,500
Other revenues	1,287,700		12,800			1,300,500
TOTAL OPERATING REVENUES	15,755,800	13,228,300	3,645,700	584,000	133,900	31,408,400
OPERATING EXPENSES						
Salaries and wages	3,182,300	3,061,800	946,100	296,400	354,700	7,751,300
Supplies and maintenance	2,751,900	2,544,600	857,800	2,219,800	150,600	8,344,700
General government	1,609,500	1,438,400	138,100	310,200	100,000	4,196,200
Depreciation	2,474,500	1,401,000	833,100	409,100	34,800	5,042,500
TOTAL OPERATING EXPENSES	10,018,200	8,445,800	2,775,100	3,235,500	769,100	25,263,700
OPERATING INCOME (LOSS)						
	3,677,600	4,782,500	730,200	(2,710,600)	(134,100)	6,165,200
NONOPERATING REVENUES (EXPENSES)						
Interest	603,500	411,000	292,200	5,100	700	1,312,500
Grants	(1,242,200)	(707,400)	(714,800)	2,350,200		2,350,200
Interest expense	(66,300)	(1,000)	(9,600)	(13,300)		(2,671,400)
Miscellaneous nonoperating revenues (expenses)	56,300	(1,000)	(9,600)	(13,300)	65,700	31,100
Total nonoperating revenue (expenses)	(522,400)	(298,400)	(438,200)	2,322,000	61,400	1,122,400
Income (loss) before capital contributions and transfers	3,155,200	4,482,900	294,000	(388,600)	(313,100)	7,227,600
Capital contributions				952,300		952,300
Transfers					501,500	501,500
Change in net assets	3,155,200	4,482,900	294,000	563,700	(11,600)	8,483,600
Total net assets - beginning of year	70,266,100	43,271,700	10,420,700	8,087,000	1,818,900	144,874,500
Total net assets - end of year	\$ 73,421,300	47,754,600	10,714,700	8,650,700	1,807,300	153,458,600

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Required Supplementary Information

- Management's Discussion & Analysis
 - Specific content requirements: no more, no less.
- Budget Reporting
 - Comparisons of "budget-to- actual" results for the governmental funds not required as part of the financial statements—but it's "RSI."
 - Both original and final budget must be presented.
- Pension Information

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Notes to the Financial Statements

- Integral part of financial statements
- Often longer than the financial statements

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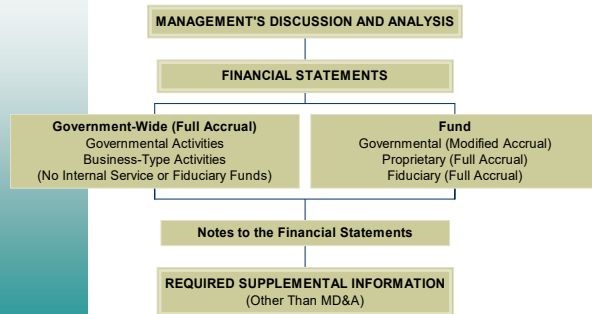
Lots of information there ...

- Significant accounting policies
- Cash and investments
- Accounting for key revenues
- Fund balance
- Due from other governments
- Capital assets
- Long-term debt
- Pension and other post-employment obligations
- Interfund transactions (loans and transfers)
- Joint ventures
- Risk management
- Commitments and contingencies (litigation, grants)
- Prior period restatements
- Subsequent events

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Basic Financial Statements



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Do the “two views” make sense?

- Goals
 - Improve financial reporting.
 - Enhance awareness of fiscal issues facing states and local governments.
 - Recognize the importance of adequately maintaining infrastructure.
- Does it do a better job of telling the City's fiscal story?
 - Probably not, but it's GAAP ...

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What to look for ...

- General Fund Financial Statements
 - Changes in net position
 - ❖ Positive or negative?
 - ❖ Budget vs actual
 - ❖ Explained?
 - Ending fund balance
 - ❖ Compared with budget
 - ❖ Compared with policy?
- General Fund Balance
 - Non-spendable
 - Restricted
 - Unrestricted
 - ❖ Committed
 - ❖ Assigned
 - ❖ Unassigned

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Annual Reporting

Comprehensive Annual Financial Reports (CAFR)

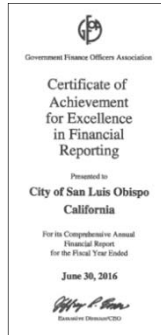
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Highest Form of Annual Reporting

- All the elements of Basic Financial Statements ... plus more
- Three sections
 - Introductory
 - Financial
 - Statistical



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CAFR's

- **Introduction**
 - Transmittal Memorandum
 - Principal Officials
 - Organizational Chart
 - Awards
- **Financial**
 - Basic Financial Statements
 - ❖ Auditor's Opinion
 - ❖ MD&A
 - ❖ Basic Financial Statements
 - ❖ Notes
 - ❖ Other RSI
 - Detailed Fund Statements
- **Statistical**
 - Overview
 - 10 Year Financial Trends
 - 10 Year Long-Term Indebtedness Trends
 - 10 Year Economic and Demographic Trends

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CAFR's are good but ...



- Sometimes too comprehensive
 - Introduction: 20 pages
 - Opinion, basic statements: 27 pages
 - Notes: 24 pages
 - RSI: 7 pages
 - Supplemental schedules: 26 pages
 - Statistical section: 31 pages
 - **Total: 135 pages**
- Solution?
 - Great transmittal memo that focuses on key issues—and where you're at financially (in ways you actually care about).

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Transmittal Memo & MD&A

- Formal Transmittal
 - Legal requirements
 - Management's responsibility
 - Internal controls
 - Audit requirements
 - Reference to MD&A
- Government Profile
 - Description
 - Services provided by the City and others
 - Geography, population, history
 - Reporting entity
 - Budget policy, control and process
 - Other key policies (purchasing, personnel, interim reporting)
- "Useful Information"
 - Local economy
 - Long-term financial planning
 - Significant projects
 - Cash management and investments
 - Risk management
 - Debt financing
 - Pension programs
- Awards
- Acknowledgements
- **MD&A**
 - **General Fund Budget and Actual: Page 29**

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city of san luis obispo
900 Palm Street • San Luis Obispo, CA 93401

December 23, 2007

TO: City Council

FROM: Bill Foster, Director of Finance & Information Technology
Cecilia Dominguez, Finance Manager

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2004-05

FINANCIAL CONDITION OVERVIEW

Financial results for the year compare favorably with budget estimates in virtually all areas of the City's operations. The General Fund has in budgetary terms exceeded its 2004-05 budget by \$3.4 million (plus that provided in the 2005-07 Financial Plan. This is consistent with the overall revenue reported in the Statement of Operations.

It is also consistent with the City's policy of maintaining a minimum General Fund balance that is at least 20% of operating expenditures.

2005-07 Revenue Outlook The 2005-07 revenue outlook is a continuation of revenue that is higher than projected and expenditures that are lower than projected. It reflects successful efforts of the operating departments to further lighten their loads in light of the tough fiscal circumstances facing us. Fortunately, because of these expenditure savings, we did not drop below budgeted policy levels as we initially projected. All this points to a projected 2005-07 year-end unreserved, undesignated General Fund balance that is 115% of operating expenditures.

Revenue Outlook - Good News, but It's Not All That Good The City faces one fiscal struggle, a stronger fiscal at year-end as revenue goals. However, as discussed below, this is largely due to one-time

savings resulting from the housing boom, with starting savings accounting for about 17% of the total savings. This was combined with the successful efforts of departments to hold the line on costs. It also shows that we do not have a "use or lose it" budget mentality as the City, post-restructuring is a strong organizational ethic, both in word and deed.

In short, while we will miss the 2005-07 Financial Plan in terms of savings that we thought it did not affect our ongoing budget situation.

What's Behind the Numbers For example, items that will not be made savings in the future from the housing boom (vacant positions, will save by 60%, and for the 12 selected regular positions, these savings are already built into the 2005-07 budget. This is also the case for a number of other operating cost savings.

Where is the Money? As noted above, these added one-time savings will bring the General Fund revenues back up to the policy goal of at least 20% of operating costs at the end of 2005-07. Even though we projected reducing the General Fund balance to 15% of one operating year as part of our 2003-07 budget-balancing strategy, our minimum fund balance policy was unchanged at 20%. As such, it was our goal to restore the reserve to policy levels as part of the next two-year budget. This one-time improvement presents an excellent opportunity to do so earlier rather than later – and to do so in other "judicious" without having to make cuts in some other project or service in order to restore the reserve.

It is important to stress that while this stronger ending position improves our ability to weather future fiscal stress, it does not change the underlying long-term discrepancy between our projected General Fund annual revenue and the community's needs and hopes for the future. In short, our experience is a consistent one: higher revenues in the year-end annual report are not a permanent fix. It is important to note that the 2005-07 Financial Plan, our emergency savings account was 1.0% anything towards

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Transmittal Memorandum

fully fund the annual contribution to ensure that the plan will be able to fully meet its obligations to vested employees on a timely basis.

In addition to the PERS pension benefit described above, the City established certain post-retirement health care benefits available to executive management employees appointed prior to August 2000. For those few employees, one-half of the employee health insurance premiums are paid by the City if they elect to remain members of the City's group health plan. This provision expires upon the death of the employee or upon the vested employee reaching age 65. The benefits are funded on a pay-as-you-go basis. GASB does not require governments to report a liability at the financial statements in connection with an employer's obligation to provide these benefits.

Additionally, the City has elected to participate in the PERS Health Benefits Program. For retiree coverage the City's contribution comes from the amount the City annually contributes to employees as part of the City's CalPERS Plan, and so such, any future cost increases will be borne by the employees, not the City.

Additional information on the City's retirement and post-retirement benefits can be found in Note 6 to the notes to the financial statements.

FINANCIAL HIGHLIGHTS

The following presents supplemental information to the RDRSA covering comparisons for the General and Enterprise Funds between actual amounts for 2005-07 and actual results.

General Fund

The following summarizes changes in fund balance in the General Fund compared with projected results in the 2005-07 Financial Plan. For the fiscal year ended June 30, 2007:

Category	2006-07	2004-05	Variance
General Fund Balance	Estimated	Actual	
Revenue	\$17,490,241	\$18,025,701	\$535,460
Expenditures	(16,098,242)	(16,227,900)	(129,658)
Other resources	(3,300,000)	(3,327,900)	(27,900)
Change in fund balance	(1,908,001)	(1,529,100)	\$378,901
Available fund balance	\$1,692,000	\$1,627,900	\$64,100
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As discussed above, when comparing the year-end actual results, revenue was higher than projected by 17% of operating expenditures, which compares favorably with the City's policy of maintaining unreserved, undesignated fund balance that is at least 20% of operating expenditures.

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These estimates vary slightly from the fund balance amounts reflected in the accompanying financial statements. This is due to changes that occurred between when the 2004-05 Financial Plan Supplement was prepared and year-end fund balance reports.

General Fund Revenue Our top five revenues account for over 90% of total revenues. Overall, these "top five" were right on target with the 2004-05 projections in the 2003-07 Financial Plan. However, as discussed below, a few sources did not perform as well as assumed:

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Transmittal Memorandum

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The following highlights key revenue variances:

- Sales Tax** Annual receipts are slightly higher than our projections due to higher fuel prices, continued demand for building and construction materials and a steady market for new car sales.
- Property Tax** Due to continued strong increases in property values, revenues increased by 2% over last fiscal year.
- Public Utility Tax** This revenue source is down by 4% from our estimate, primarily due to lower collections from the telecommunications industry.
- Transient Occupancy Tax (TOT)** As indicated in the monthly TOD newsletters, after a rocky start this fiscal year, revenues are now showing positive growth, ending not slightly higher than projected.
- Vehicle License Fee/VLF Levy** The State's budget for 2004-05 includes the "VLF Stray," under which an equal amount of "VLF Backfill" (in one case, about \$1.8 million annually) was "wrapped" for an equal amount of accrued property tax revenues. This wrap was supposed to be revenue neutral, and actual receipts were consistent with projections.

Revenue Test The 2% variance in franchise fee revenue results from City water and sewer revenues slightly lower than anticipated.

Development Return Fee Revenues exceeded projections by 7% as a result of continued strong development activity, particularly in the area of infrastructure plus street and inspection fees.

Revenue Fee The 8% shortfall in recreation fees is directly attributable to lower revenues in the children's services day care program. Enrollment has been limited because of facility space limitations. The revenue shortfall was offset by reduced program expenditures.

Investment Income The increase in interest earnings reflects a slow increase in market rates and a positive adjustment to reflect market value as required by Government Accounting Standards Board Statement No. 31 (GASB 31). Actual earnings were right on target with our projections, \$242,900 compared with our estimate of \$228,000. The remainder of the variance (\$148,900) is attributable to recording the change in market value as required by GASB 31.

Other's this source GASB 31 requires recording any increases or decreases in the market value of our investments. Unfortunately, this has the potential to significantly skew the City's actual revenues results, since it is our policy to make all investments decisions based on holding them through maturity. As such, changes in market value do not affect the long-term results of our portfolio, but they can result in significant fluctuations from year-to-year. As noted above, for 2004-05, making this adjustment to market value in June 30, 2005 resulted in interest earnings that are much higher than would otherwise be the case. This market value adjustment affects all other City funds as well.

General Fund Expenditures The following summarizes General Fund operating program expenditures for 2004-05 by function, compared with estimates reflected in the 2005-07 Financial Plan:

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Interim Reporting

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Interim Financial Reporting

- No “guidelines” for this.
 - No “awards.”
- But more important than annual reports.

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Interim Financial Reporting

- Types
 - On-Line “24/7”
 - ❖ Transparency software: data visualization
 - Monthly
 - Quarterly
 - Special Ad Hoc Reports
 - ❖ Sales tax
 - ❖ TOT
 - ❖ Cash and investments
 - Mid-Year Budget Review
 - Budget

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Quarterly Financial Report Page 1

Quarterly Financial Report
First Quarter of 2019-10

Overview

Adjusted Budgets and Revenue Estimates

GENERAL FUND

General Fund Financial Condition

Enterprise Funds

Enterprise Funds - Revenue

Enterprise Funds - Expenses

Enterprise Funds - Net Position

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Quarterly Financial Report Page 2

Quarterly Financial Report
First Quarter of 2019-10

Actual vs. Budget

Actual vs. Budget - General Fund

Actual vs. Budget - Enterprise Funds

Actual vs. Budget - Other Funds

Actual vs. Budget - Total

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Interim Year End Report
Page 1

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Interim Year End Report
Page 2

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Interim Year End Report
Page 3

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Quarterly Sales Tax Newsletter
First Quarter of Calendar Year 2009

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Questions to Ask: Annual Reports

- How did you end the year compared with the budget? Why?
 - Revenues, expenditures and fund balance?
- Were revenues/sources more (less) than expenditures/uses? How about four prior years?
- How did ending reserves (fund balance) compare with policies?
 - Do you have adopted reserve policies?
- How do actuals compare with other polices?
 - Debt, user fees, other
- Did you receive audited financial statements within 180 days of year-end?
- Have auditors provided report on any deficiencies they consider significant or material weaknesses and candidly discussed any concerns with you?
- Do you prepare CAFRs? If not, why not?

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Questions to Ask: Interim Reports

- Are you receiving easily understood interim reports on a timely basis on key funds?
- What is your organization's strategy for ensuring departments stay within budget?

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Resources

- GFOA Elected Officials Pamphlets
 - Government finance
 - Investing
 - Financial reporting
 - Procurement
 - Internal controls and fraud prevention
 - Debt issuance
 - Auditing
 - Fund balance
 - Risk management
 - Performance measurement



www.gfoa.org

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Resources

www.solano.com



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Questions?

A cartoon character with a question mark on its chest, standing inside a circular frame. The character is blue with a white question mark on its chest and is holding a small white sign with a red question mark. The background of the slide is white with a red horizontal line and a teal vertical bar on the left side.

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