



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of March 13, 2018

**TO:** Members of the City Council

**SUBMITTED BY:** David Biggs, City Manager  
Annie To, Finance Director

**SUBJECT:** FY 2016/17 Comprehensive Annual Financial Reports

**RECOMMENDED ACTION:** Receive and File the FY 2016/17 Comprehensive Annual Financial Reports and Accept the Audited Statements.

**FISCAL IMPACT OF RECOMMENDATION:** None as result of this action. The audited results of the 2016/17 fiscal year are utilized as a starting point in the development of the FY 2018/19 budget, especially in regard to the one-time funding.

**DISCUSSION:** On February 13, 2018, the City Council received a presentation by the City's Auditor, Clifton Larson Allen (CLA) (formerly Galina, LLP), and conducted an initial review on the FY 2016/17 audit and related reports. The staff report from that meeting is Attachment A. The City Council opted to defer to receive and file action on that report until after the Finance Commission's review.

These audited financial reports and related materials were presented to the Finance Commission on February 26, 2018. The following is a list of questions from the Finance Commission regarding the audited reports:

1. Question: From 2016 to 2017, there was an increase in expenditures in the amount of \$696,406 (25%) in the expenditure classification for "Streets and Public Works". What was the 25% increase for? Vice-Chair Tom recommended that an explanation for any variances under/over 25% as compared to the prior year should be provided in future reports.

Response: The increase in the expenditures for "Streets and Public Works" was due primarily to the reconstruction of Refugio Valley Road.

2. Question: \$250,000 shows as a write-off under Loans Receivable. What was the loan for?

Response: The \$250,000 was written off for a loan to a former City Manager. The loan was intended to assist in the finance and purchase of a home in Hercules as a condition of his employment. This amount was determined to be uncollectable in FY16-17.

3. A question was asked about payments due on the 2003B Public Financing Authority Lease Revenue Bonds.

It was clarified that the first few rows from June 30, 2018 to June 30, 2022 was for a single year of payments while the last few rows shown was for the sum of the next four years, from June 30, 2023 to June 30, 2027.

4. The Management Discussion and Analysis was omitted in the Hercules Public Financing Authority report as it was not required per the auditors; however, Vice Chair Tom suggested that staff include the management discussion in the future.

All the audited repots were presented to the City Council by Elba Zuniga, Principal of Clifton Larson Allen, at the City Council meeting on February 13, 2018.

#### **ATTACHMENTS:**

1. Staff Report from February 13, 2018
  - a. [FY 16/17 City Annual Financial Report](#)
  - b. [FY 16/17 PFA Annual Financial Report](#)
  - c. [FY 16/17 Waste Water Financial Report](#)
  - d. [FY 16/17 Single Audit Report](#)
  - e. [FY 16/17 City of Hercules GANN report](#)
  - f. [FY 16/17 Agreed Upon Procedure \(AUP\) for Measure B](#)
  - g. [FY 16/17 Agreed Upon Procedure \(AUP\) for Measure C](#)
  - h. [FY 16/17 Letter from Auditor](#)

<i>Financial Impact</i>			
<b>Description: No Fiscal Impact</b>			
<b>Funding Source:</b>			
<b>Budget Recap:</b>			
Total Estimated cost:	\$	New Revenue:	\$
Amount Budgeted:	\$	Lost Revenue:	\$
New funding required:	\$	New Personnel:	\$
Council Policy Change: Yes <input type="checkbox"/> No <input type="checkbox"/>			