Atascadero City Council
Staff Report – Administrative Services Department

Fiscal Year 2005-2006 Audit

RECOMMENDATION:

Council review and accept the financial audit for the period ended June 30, 2006.

REPORT-IN-BRIEF:

The Audit firm of Glenn, Burdette, Phillips and Bryson performed a full audit of the financial statements and found that the City presented fairly and accurately the City’s financial position, and further that the reporting was in conformity with generally accepted accounting standards.

DISCUSSION:

The City was well positioned at the end of fiscal year 2005-2006. Amidst the ups and downs of today’s economy, the City was able to maintain a positive financial outlook. Fueled by higher than expected supplemental property tax rolls, state adjustments and paybacks, continued strong development activity, and vacancies which resulted in salary savings; results for the year compare very favorably with budget estimates. Overall the General Fund revenues exceeded expenses by $1.1 million.

Base property tax revenues showed a positive variance from budget of about 4%, or $137,000. The City benefited from increased supplemental assessments, which came in $300,000 better than projected. Supplemental assessments are made by the County throughout the year and are in addition to the base property tax. They are triggered by new construction and also by property sales, which necessitate a re-assessment of property value to current market value.

A portion of the vehicle license fee (VLF) revenues was “swapped” out for the equivalent amount of property tax revenues. The State’s original estimate of the City’s portion of this revenue was $1.6 million. When the State fine-tuned their calculations, it was determined that the City’s portion of revenue was actually $1.7 million. Therefore,
in this fiscal year, the City received the one-time catch up amounts of approximately $100,000 for fiscal year 2004-2005, and $100,000 for fiscal year 2005-2006. Now that the City is caught up, no further adjustments to this revenue should be expected. It is anticipated that the property tax revenue paid in lieu of VLF will be based on the $1.7 million for the coming years.

Motor Vehicle in Lieu and related payment revenues also exceeded budget estimates. At the time the budget was prepared, the State Governor had agreed to pay one-half of the “VLF Gap Loan” back to cities. Fortunately, since that time, the Governor agreed to pay the entire amount, resulting in $230,000 more in one-time revenues than projected. The loan has now been paid in full and the City will not be receiving this $465,000 revenue in the future.

Sales tax revenue came in about $240,000 higher than estimated. The high cost of fuel played a big part in this. Fuel costs are dynamic, so this trend is not expected to continue. Additionally, there were timing differences of payments that occurred at the State level. Those timing differences equated to an adjustment of approximately $70,000 this fiscal year. The underlying sales base showed only a slight increase.

Over 75% of the favorable expenditure variance was due to staffing savings. This was largely due to position vacancies in Police, Community Services, and Public Works. These vacancies have been, or soon will be, filled. Therefore, the savings realized were one-time savings and cannot be expected to continue into the future. Other variances stemmed from timing differences in special purchases and projects.

There were no significant findings to reporting the City’s other funds, though slight variances to budget did occur due to timing differences.

**FISCAL IMPACT:**

None.

**ATTACHMENTS:**

Fiscal Year 2005-2006 Audited Financial Statement (available for viewing at the City Clerk’s Office).