



Staff Report

November 8, 2016

TO: Honorable Mayor and Town Council
FROM: Roger Carroll, Finance Officer
DATE: November 1, 2016
RE: Receipt of 2015/16 Fiscal Audit from Boler & Associates

RECOMMENDED ACTION:

Receive and file the Audited Financial Statements for the Year Ended June 30, 2016; the Report on Agreed-Upon Procedures on the Appropriations Limit; and the Communication with Those Charged with Governance.
Adopt resolution Designating the General Fund Reserve Balances.

ISSUE STATEMENT AND DISCUSSION:

There are three reports included with your council packet:

1. The Audited Financial Statements for the Year Ended June 30, 2016.
2. Report on Agreed-Upon Procedures on the Appropriations Limit.
3. Communication with Those Charged with Governance.

The Town contracts with an outside audit firm, Boler & Associates, which prepared the 2015-2016 audit and gave an "Unmodified Opinion". An Unmodified Opinion means that the financial statements fairly represent the Town's financial position without attaching adverse qualifications or conditions. The audit does not reflect any material areas of concern. If the Council desires, a representative from Boler & Associates would be glad to make a presentation to the Council at a future meeting.

For an overview of the audited financial statements, please read the Management's Discussion and Analysis in the audit report, pages 3 through 13. You will be interested to note that General fund revenues exceeded expenditures by \$604,359. This will be addressed, below.

For an overview of the audited financial statements, please read the Management's Discussion and Analysis in the audit report, pages 1 through 13.

The most notable difference between this year's audit and prior years' audit reports is the required pension data reporting. The 2014-15 fiscal year was the first year that the Town was required to report the unfunded pension liabilities in the financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, which made a few changes in the way the financial statements are presented. Guidance regarding how this GASB statement's data is to be presented continues to develop and this year's presentation can be found starting with Note 9 on pages 46 through 53 with additional data on pages 57 through 59.

The second report, the Report on Agreed-Upon Procedures on the Appropriations Limit addresses the tax revenue limits imposed upon the Town by Proposition 13. The auditor performed four procedures (found on pages 1 and 2) and noted no exceptions.

The third report is the Communication with Those Charged with Governance. This is a report directly to the Town Council that reports errors, weaknesses or failures in the Town's accounting system and procedures. There were no issues to report.

At the end of each fiscal year, General Fund expenses are subtracted from General Fund revenues and the difference is added to, or subtracted from, the fund balance. Generally, revenues have exceeded expenses, and the result has been a "Positive Net Position." "Positive Net Position" is the currently preferred term for what in the past has been known as equity, fund balance or reserves. For the sake of discussion, I will be using the term "reserves" in this discussion.

The Town of Loomis, over the years, has built a considerable amount of reserves. Going into this fiscal year, we had just over \$3 million in General Fund reserves – almost a full year's operating costs. This year's addition to reserves is \$604,359.

The Town's financial policies dictate that when revenues exceed expenses in the General Fund, those excess revenues are to be designated, or "earmarked" for capital improvement expenditures. The Town Council, though, has the right to re-designate those funds as they see fit. Attachment A, "Current" column, shows how General Fund Reserves were allocated before the 2015/16 addition to net reserves, per Resolution 16-10.

The Town's engineer has informed me that funds are needed for drainage projects. When Resolution 16-10 was discussed with the Town Council, it was estimated that 2015/16 addition to reserves would be \$300,000. Therefore, I am recommending that \$300,000 be designated to the Capital Improvement reserve, and the remainder (\$304,359) be designated for drainage projects, as shown in Attachment A.

POLICY AND/OR FINANCIAL IMPLICATIONS:

Designating General fund balances can help ensure that funds are available for future capital projects and other long term needs.

Attachments: Audited Financial Statements

Report on Agreed-upon Procedures on the Appropriations Limit
Communication with those Charge with Governance
Resolution Designating General Fund Reserve Balances
Attachment A – Proposed Changes to General Fund Reserve
Designations

TOWN OF LOOMIS

RESOLUTION NO. 16-

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOOMIS
DESIGNATING THE GENERAL FUND RESERVE BALANCES**

WHEREAS, Town financial policy dictates that excess revenue in the General Fund be designated for capital improvements; and

WHEREAS, the Town Council of the Town of Loomis has the authority to designate amounts to specific designations in the General Fund Reserves; and

WHEREAS, capital improvement project needs have arisen specific to drainage issues for which funds are not available;

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Town Council of the Town of Loomis does hereby declare as follows:

The Town Finance Director is hereby authorized and directed to make the following designations of excess funds to the General Fund Reserves:

- \$ 300,000 to Capital Improvements
- \$ 304,359 to Drainage Projects

PASSED AND ADOPTED this 8th day of November, 2016 by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

ATTEST:

Mayor

:

Town Clerk

The Town of Loomis
Proposed Additions to General Fund Reserve Designations
As of June 30, 2016
(Attachment A)

General Fund Reserves Designated for:	Current	Additions	Proposed
Capital Improvements	1,222,472	300,000	1,522,472
Community facilities	200,000		200,000
Parks	50,000		50,000
Dunmore Drainage	55,000		55,000
Other Drainage projects		304,359	304,359
Fire departments	45,863		45,863
Business Assistance loans	100,000		100,000
Litigation	50,000		50,000
Operating reserves	1,111,543		1,111,543
COPS set aside	71,244		71,244
OPEB set aside	101,430		101,430
Total General Fund Reserves	3,007,552	604,359	3,611,911