

FY 2015-2016 Audit Inconsistencies and Omissions

Different Values for the Net Loss

There are several different values in the Audited Financial Statement (AFS) for the net loss. Which is correct and at what time during the year was staff aware of this large loss? Where is this difference explained?

1. On Packet Page 150, the following statement is made: *The Auditors have noted that the General Fund expenses exceeded revenue by \$692,843.*
2. On Packet Page 171, the statement "Excess (Deficiency) of Revenues over Expenditures" shows \$692,843.
3. On Packet Page 160, the value (\$771,225) is shown by subtracting Expenses of \$16,558,719 from \$15,787,494.
4. Packet Page 168 shows a "Change in Net Position" of (\$771,225).

Comparison of Budgeted Revenue to Actual Revenue

Revenues	General Fund (AFS FY 2015/2016) pp 171	GF Summary FY15-16 Approved Budget p.36	Difference
Taxes	\$9,347,495	\$9,430,574	-\$83,079
Licenses & Permits	\$318,324	\$0	\$318,324
Intergovernmental	\$1,154,193	\$786,583	\$367,610
Charges for Services	\$1,551,842	\$1,246,334	\$305,508
Fines&Fees			
Licenses Permits	\$113,053	\$745,170	-\$632,117
Investment Earnings	\$3,655	\$216,500	-\$212,845
Other Revenues	\$206,160	\$291,774	-\$85,614
Transfers	\$0	\$1,369,790	-\$1,369,790
Total	\$12,694,722	\$14,086,725	-\$1,392,003

- 1: Budget combines Fines and Forfeitures with Licenses and Permits Why are these categories not consistent in the AFS?
- 2: No transfers are shown in AFS, but are indicated in FY 2015/2016 budget, so must be spread throughout. Why and where are the transfers? Where is the detail on the transfers?
3. Based on this chart, the Revenue shortfall as compared to budget in the General Fund was \$1,392,003. Is this correct? At what time during the year was staff aware of the revenue shortfall?
4. Why was there no budget to actual comparison in the AFS?

Water Funds Did Not Meet 1.2 Covenant FY 2015/2016

On packet Page 195, the statement is made:

The Water Fund did not meet the rate covenant of 1.20 times net revenues for the fiscal year ended June 30, 2016, as required by the bond indenture.

Staff provided a report showing 1.3 ratio for the quarter ending 6/30/2016. How do the transfers to the General Fund affect this ratio?

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Comparison of Budgeted Expenditures to Actual Expenditures

The following chart is derived from Packet Page 171 in the Audited Financial Statement and pages 39-40 in the approved FY2015-2016 budget.

Expenditures	General Fund	GF Summary	Difference
	(AFS FY 2015/2016) pp171	FY15-16 Approved Budget (39-40)	
General Government	\$1,027,470	\$0	\$1,027,470
Building & Safety	\$375,144	\$372,209	\$2,935
Community Services	\$1,121,601	\$944,753	\$176,848
Financial Services	\$505,946	\$522,049	-\$16,103
Fire	\$2,890,097	\$2,703,182	\$186,915
Planning	\$620,779	\$702,200	-\$81,421
Police	\$6,356,767	\$6,214,712	\$142,055
Public Works	\$489,761	\$297,703	\$192,058
Administration	\$0	\$2,234,257	-\$2,234,257
Non-Departmental	\$0	\$233,854	-\$233,854
	\$13,387,565	\$14,224,919	-\$837,354

1. Note category mismatch between AFS and Budget for General Fund indicated by zero values. Why are the categories inconsistent between budget and reporting?
2. Expenses were under budget by \$837,354. Is this correct? If not, does there exist a budget to actual comparison report which can be provided of expenses?

Explain the Difference between Expenses in Same/Similar Categories

This chart compares Packet Page 167 with Packet Page 171, both of which appear to be explaining expenses. Why the discrepancy? Which is correct? Even with the addition of three columns of 171, there is a discrepancy.

Expenditures	General Fund	General Fund	Difference
	(AFS FY 2015/2016) pp167	(AFS FY 2015/2016) pp171	
General Government	\$1,716,381	\$1,027,470	\$688,911
Building and Safety	\$523,743	\$375,144	\$148,599
Community Services	\$2,156,205	\$1,121,601	\$1,034,604
Financial Services	\$516,049	\$505,946	\$10,103
Fire	\$3,042,906	\$2,890,097	\$152,809
Planning	\$639,538	\$620,779	\$18,759
Police	\$5,998,868	\$6,356,767	-\$357,899
Public Works	\$1,933,973	\$489,761	\$1,444,212
Interest LT Debt	\$31,056	\$0	\$31,056
	\$16,558,719	\$13,387,565	\$3,171,154

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Fund Balance Questions

1. On Packet Page 199 of the FY 2015-2016 AFS, there is a line under "Committed to" as follows:

Citywide development fee study \$38,380

On page 36 of the FY 2014-2015 AFS, there is a line under Committee to as follows:

Citywide development fee study \$38,380

Does this mean that the total spent was \$76,760 for two years for the one study or carried over?

2. The funds have decreased from FY 2014-2015 to 2015-2016 as follows:

Year	General	Non-Governmental	Total Governmental
FY 2014-2015	\$5,042,183	\$9,025,999	\$14,068,182
FY 2015-2016	\$4,326,570	\$8,542,733	\$12,869,303
Difference	-\$715,613	-\$483,266	-\$1,198,879

Is this a normal fluctuation or should these decreases be considered problematic? Are these cash funds and if so were they audited? How are the funds replenished? Why was there no discussion of this in the Management Letter?

Defeased Bonds Representation Incomplete

The audited financial report states the following on Packet Page 195.

...In February 2010, the Santa Paula Utility Authority, the "Utility Authority" (a component unit of the City of Santa Paula) issued \$55,715,000 aggregate principal amount of Water Enterprise Revenue Bonds, 2010 Series, with proceeds used to effect the advance refunding of \$25,700,000 of outstanding Santa Paula Public Financing Authority Water Revenue Bonds, Series 2003, finance certain improvements to the Authority's water system, fund a reserve account, fund capitalized interest on the non-refunding portion of the Water Bonds and pay costs of issuance for the Bonds. Of the \$57,570,826 net proceeds from the 2010 Bonds, \$27,483,814 plus an additional \$1,160,572 of 2003 Bonds reserve fund monies were used to purchase U.S. Treasury Securities - State and Local Government Series. Those U.S. Treasury Securities - State and Local Government Series were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 Series Bonds. As a result, the 2003 Series Bonds are considered defeased and the liability for those bonds has been removed from the financial statements.

However, it appears the 2003 bonds were all called in 2014 according to the Bank of New York Mellon Trust:

....NOTICE IS HEREBY GIVEN that, there have been called for full redemption on February 1, 2014 all outstanding Bonds of the above captioned bonds, totaling \$22,845,000.00 in principal amount, plus accrued interest thereon to the Redemption Date, as listed below.....

Were there any residual funds supplied or received by the city to call these bonds? If so, where posted?