



City Council Meeting and Public Hearing STAFF REPORT

Submitting Department: Finance
Submitted By: Thomas Harris, Finance Director
Meeting Date: February 1, 2016

I. AGENDA ITEM TITLE: DISCUSSION OF FINANCIAL AUDIT REPORTS

II. RECOMMENDATION:

Discuss and accept financial audit reports as presented by Mauldin & Jenkins, CPAs, LLC.

III. BUDGET IMPLICATIONS:

BUDGETED ITEM: NO

FISCAL IMPACT: NO

INCLUDED IN CURRENT FY CPTL BUDGET: NO

INCLUDED IN CURRENT FY OPRT. BUDGET: NO

TOTAL PROJECT COST:

APPROPRIATIONS:

<u>ACCOUNT TITLE/NUMBER</u>	<u>DOLLAR AMOUNT</u>

EXTERNAL FUNDING SOURCES:

<u>ACCOUNT TITLE/NUMBER</u>	<u>DOLLAR AMOUNT</u>

IV. REPORT IN BRIEF:

The Finance Department has issued the City of Alpharetta's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2015. Our Auditors, Mauldin & Jenkins, CPAs, LLC have issued a "clean opinion" on the financial statements with no findings as part of their audit. Although they do not express an opinion on the effectiveness of our internal control, no significant deficiencies in the design or operation of our internal control structure were identified in planning and performing their audit of our financial statements. Also, the results of their tests disclosed no instances of noncompliance with certain provisions of law, regulations, contracts, etc that may have been tested as part of their efforts to obtain reasonable assurance that our financial statements are free of material misstatement.

A partner of Mauldin and Jenkins, LLC, will present the reports at the council meeting. The Finance Department has submitted the CAFR to the Government Finance Officers Association (GFOA) with the intent that such report will again be recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting. The CAFR was also timely submitted to all applicable state and regulatory bodies.

Some of the financial highlights of the General Fund are as follows:

- The fund balance of the City's General Fund increased by \$2,712,572 during Fiscal Year 2015. Due to conservative budgeting practices, this increase is substantially more than was strategically forecasted as part of our budget. As Council approved the use of fund balance for capital outlay, fund balance was forecasted to decrease by \$4,093,760. The increase is a result of: operating revenues exceeding expenditures by \$8,158,819; net transfers-out of \$5,609,044 (\$7,467,112 for capital outlay less transfers-in from Hotel/Motel Tax Fund for \$1,858,068); and other sources such as proceeds from the sale of capital assets for \$162,797.
- Revenues of \$58,974,363 exceeded amount budgeted by \$4,660,939. Specific revenue variances include the following: property taxes (\$905,849 greater than budget); sales and use taxes (\$857,780 greater than budget); licenses and permits (\$927,333 greater than budget); charges for services

(\$601,868 greater than budget); fines and forfeitures (\$465,465 greater than budget); business taxes (\$207,786 greater than budget); and other taxes (\$445,730 greater than budget). Other financing sources also came in favorably (\$257,345), primarily from Hotel/Motel taxes (Transfers In).

- Expenditures came in well under budget, at \$50,815,544 with \$1,888,048 of the budgetary appropriation unspent. Management continues to work with department heads to ensure only necessary purchases are made, and to ensure all departments do not exceed budget appropriations, which creates a budget conscious atmosphere throughout the City.
- From a year to year operational perspective, total revenues increased by \$4,586,850. Major revenue variances include the following: increase in property taxes resulting from a combination of general growth in property valuations, new construction, and a change in the millage rate structure that shifted approximately \$300,000 in property tax revenue from the debt service fund to the general fund; increase in sales and use taxes due to the redistribution of sales tax proceeds based on the 2010 Census findings that raised the city's distribution rate from 5.22% to 5.84% as well as general economic growth; increase in licenses and permits due to continued growth in construction and building permit activity; increase in charges for services due primarily to growth in planning and development related fees resulting from increased real estate development activity; increase in fines and forfeitures due to growth in municipal court fines (resulting from growth in public safety citations); and increases in business and other taxes due to general economic growth. Net transfers out increased by \$894,934.
- Total expenditures increased by \$2,237,865 from the prior year primarily due to the following growth drivers: (1) general salary growth; (2) increases in healthcare costs; (3) increases in electricity utilities due to GA Power rate increases; and (4) partial-year funding for maintenance and operational costs of City Center (new city hall, downtown park, and parking garage).

V. ALTERNATIVES:

N/A

VI. ATTACHMENTS:

Auditor's Annual Audit Agenda, CAFR (available on Web; printed upon request)