

Audit Presentation
Fiscal Policy Task Force Meeting
February 8, 2017

Agenda

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Audit Report

Unmodified Opinion	Qualified Opinion
General Fund	Governmental activities
Affordable Housing Fund	Business-type activities
Non-major governmental funds	Water Fund
Oxnard Housing Authority	Wastewater Fund
Aggregate remaining fund information	Environmental Resources Fund
	CDC-Successor Agency Private Purpose Trust Fund

- **Basis of qualified opinions** – we were unable to obtain sufficient audit evidence to support capital assets and CIP balances and related depreciation expense
- **Emphasis on prior period adjustments** (page 60) and **uncertainty related to letters of credit with Union Bank** (page 130)

Required Communications

- Non-compliance with regards to rate covenants (wastewater and water funds)
- Uncertainty regarding letters of credit with Union Bank
- New accounting pronouncements
 - GASB 72 – Fair value measurements

Required Communications

- Challenges encountered during the audit; City staff were unable to provide proper reconciliations for:
 - Notes receivable
 - Capital assets and CIP
 - Self-insurance liabilities
 - Net pension liabilities
 - Other post-employment liabilities

Required Communications – Audit Adjustments (in thousands)

	<u>GOVERN- MENTAL ACTIVITIES</u>	<u>GENERAL</u>	<u>AFFORD- ABLE HOUSING FUND</u>	<u>NON MAJOR</u>	<u>WATER</u>	<u>WASTE- WATER</u>	<u>ENVIRON- MENTAL RESOURCE</u>	<u>INTERNAL SERVICE</u>	<u>FIDUCIARY</u>	<u>FUND STATEME NTS TOTAL</u>
Cash and investments	-	(5,150)	-	4,902	(100)	93	7	248	-	-
Accounts receivable	-	-	-	165	-	-	-	-	(287)	(122)
Due to/from and Advances from/to	1,348	3,682	(293)	(4,504)	-	-	-	8	(236)	(1,343)
Notes receivable	-	-	(2,327)	(12,956)	1	(16)	(3)	-	(875)	(16,176)
TOTAL ASSETS	1,348	(1,468)	(2,620)	(12,393)	(99)	77	4	256	(1,398)	(17,641)
Pension liabilities	10,164	-	-	-	453	963	660	1,292	(20)	3,348
Other post-employment benefits payable	(1,332)	-	-	-	(104)	94	(160)	142	-	(28)
Compensated absences	(965)	32	-	-	-	-	-	-	-	32
Other liabilities	42,965	252	2,328	12,523	165	(93)	(7)	1,984	60	17,212
TOTAL LIABILITIES	50,832	284	2,328	12,523	514	964	493	3,418	40	20,564
FUND BALANCE	(45,143)	1,348	-	142	-	-	-	-	4,318	5,808
Revenues	27,915	(781)	-	113	(64)	-	-	(8)	792	52
Expenses	(34,952)	(1,256)	292	1,225	(351)	(1,041)	(497)	(3,403)	(3,752)	(8,783)
Transfers	-	1,873	-	(1,610)	-	-	-	(263)	-	-
TOTAL ACTIVITIES	(7,037)	(164)	292	(272)	(415)	(1,041)	(497)	(3,674)	(2,960)	(8,731)

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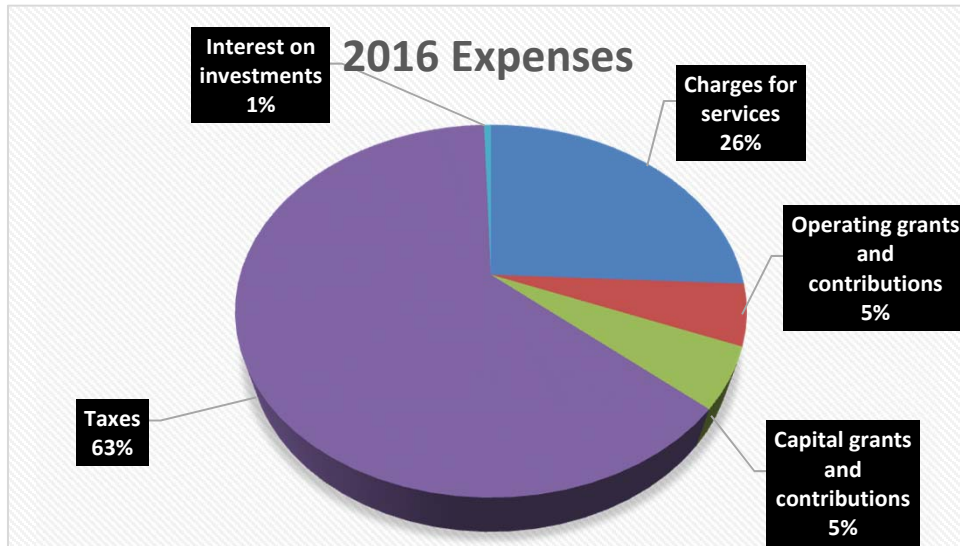
Government-wide Financial Statements

- City had an increase in net position of \$8M
 - Increase from 2015 by \$3M
 - Improvement in business-type activities (Oxnard Housing Authority) offset the decrease in governmental activities
 - Revenues decreased by \$6 million compared to 2015
 - Expenses decreased by \$9 million compared to 2015

Decrease in expenses due to planned/budgeted cuts



Governmental Activities - Revenues

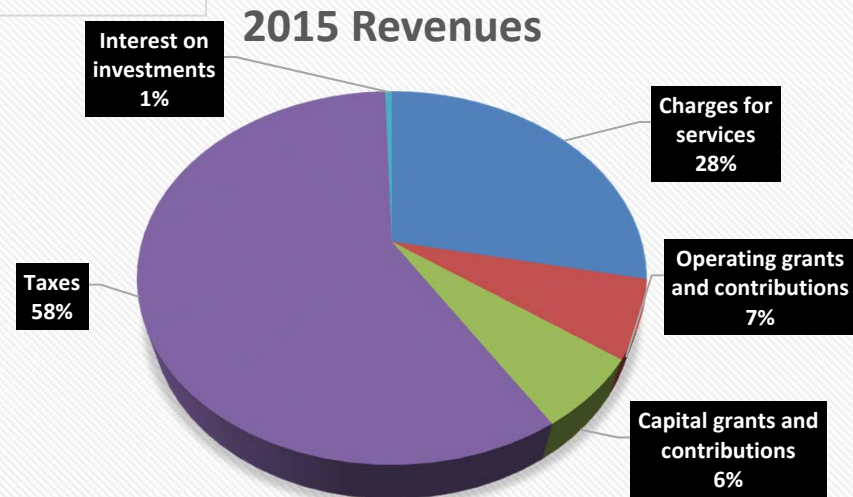


Revenues decreased by \$5M or 2.6%

- Taxes increased by \$6M or 5%
- Program revenues decreased by \$11M or 14%

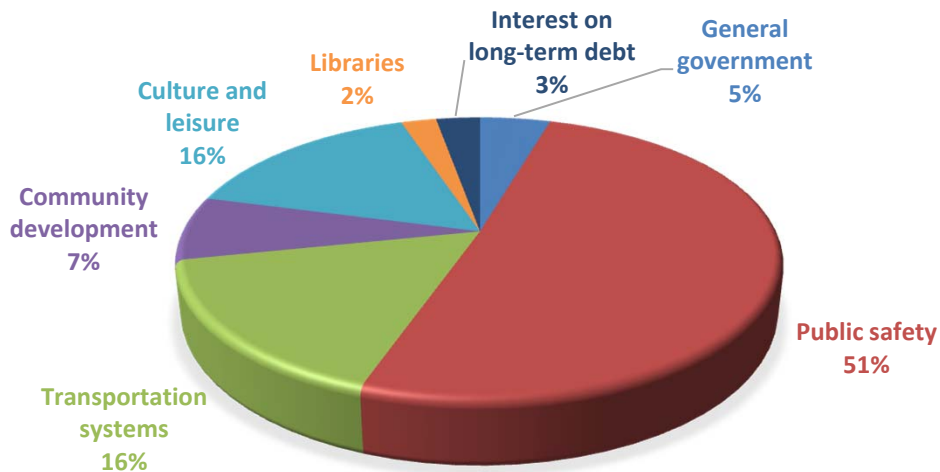
2016 Total Revenues \$189M

2016 Taxes consist of:
 Property tax – \$62M
 Sales tax - \$43M
 Other tax – \$15M
 Total - \$120M



2015 Total Revenues \$194M

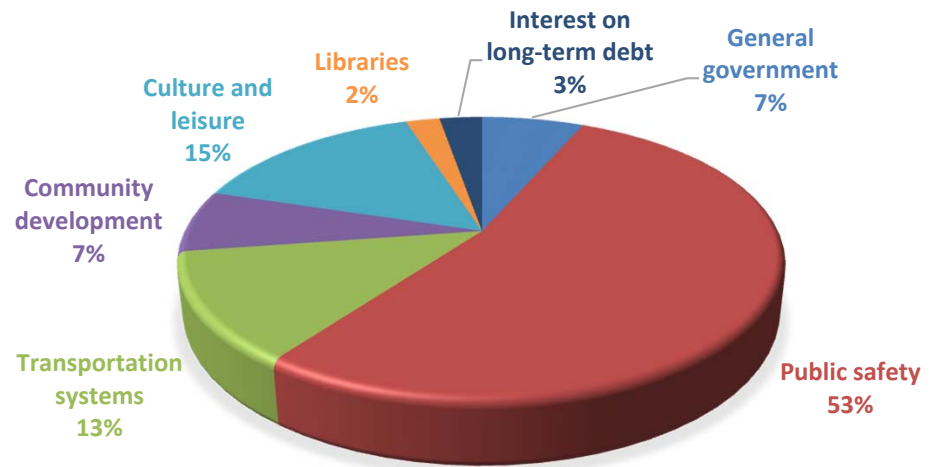
Governmental Activities- Expenses



2016 EXPENSES

2016 Total expenses \$178M

2015 Total expenses \$184M

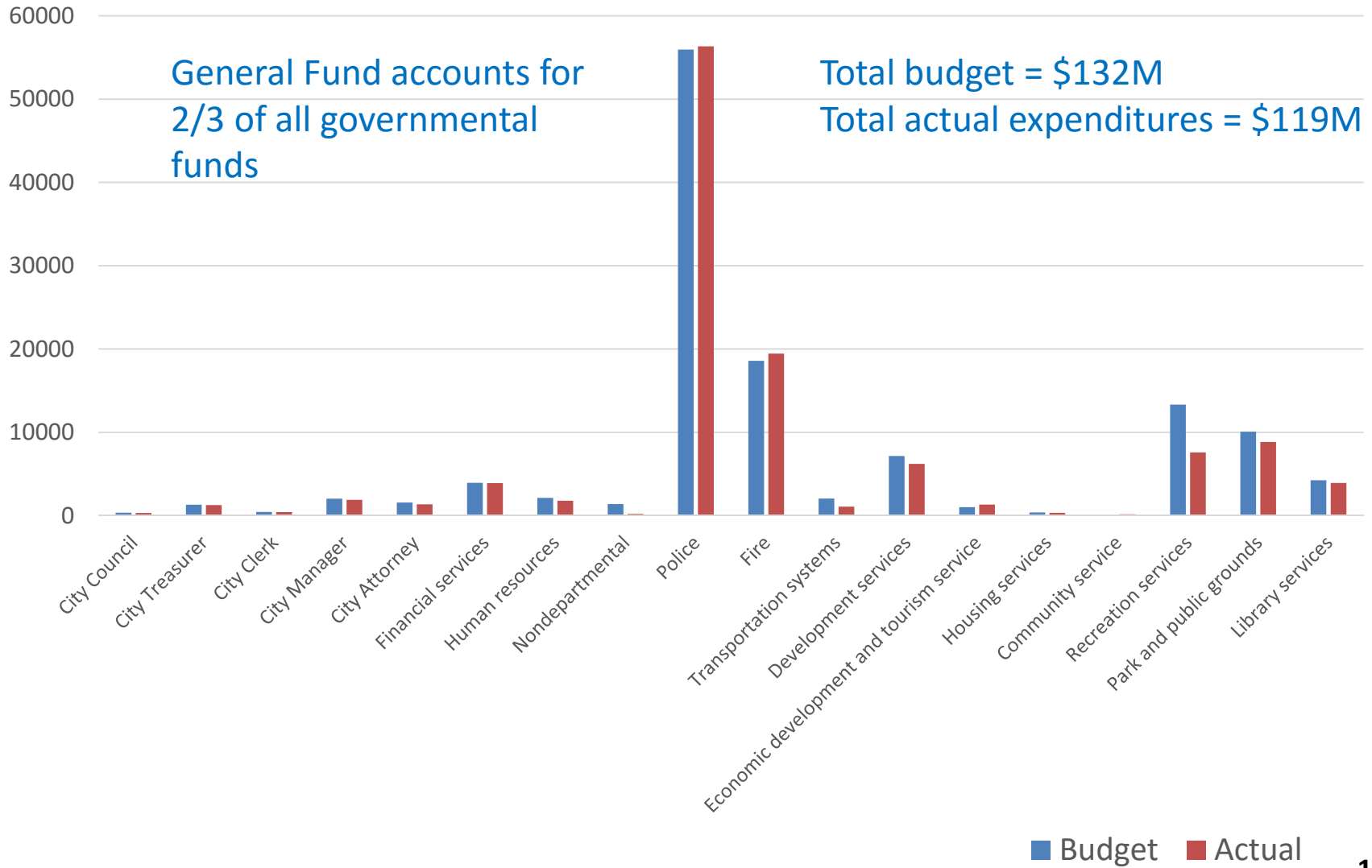


2015 EXPENSES

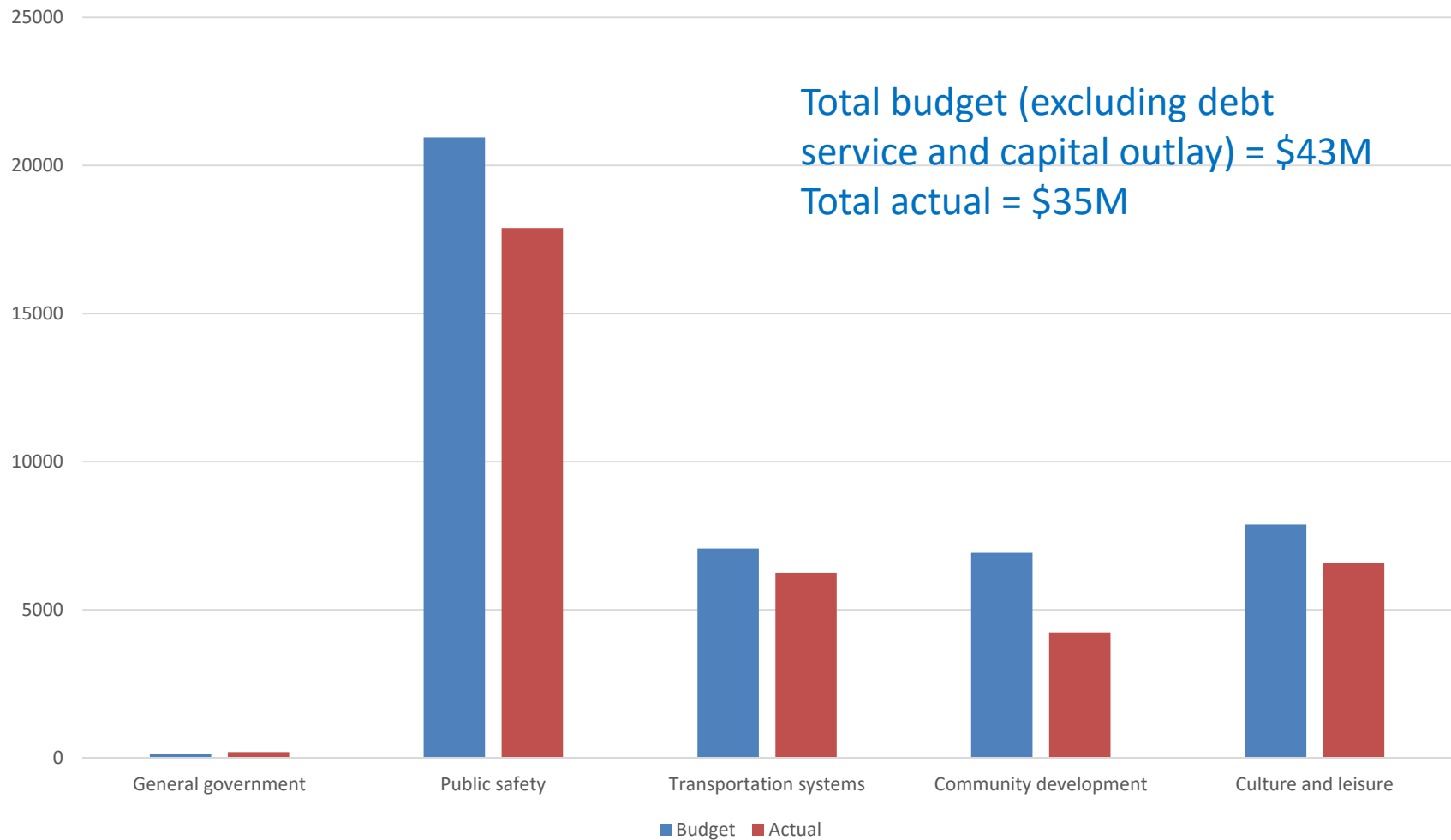
Expenses decreased by \$6M or 3%

- General government decreased by \$4M or 33%
- Public safety decreased by \$8M or 8%
- Transportation increased by \$6M or 26%

General Fund – Budget to Actual (in thousands)

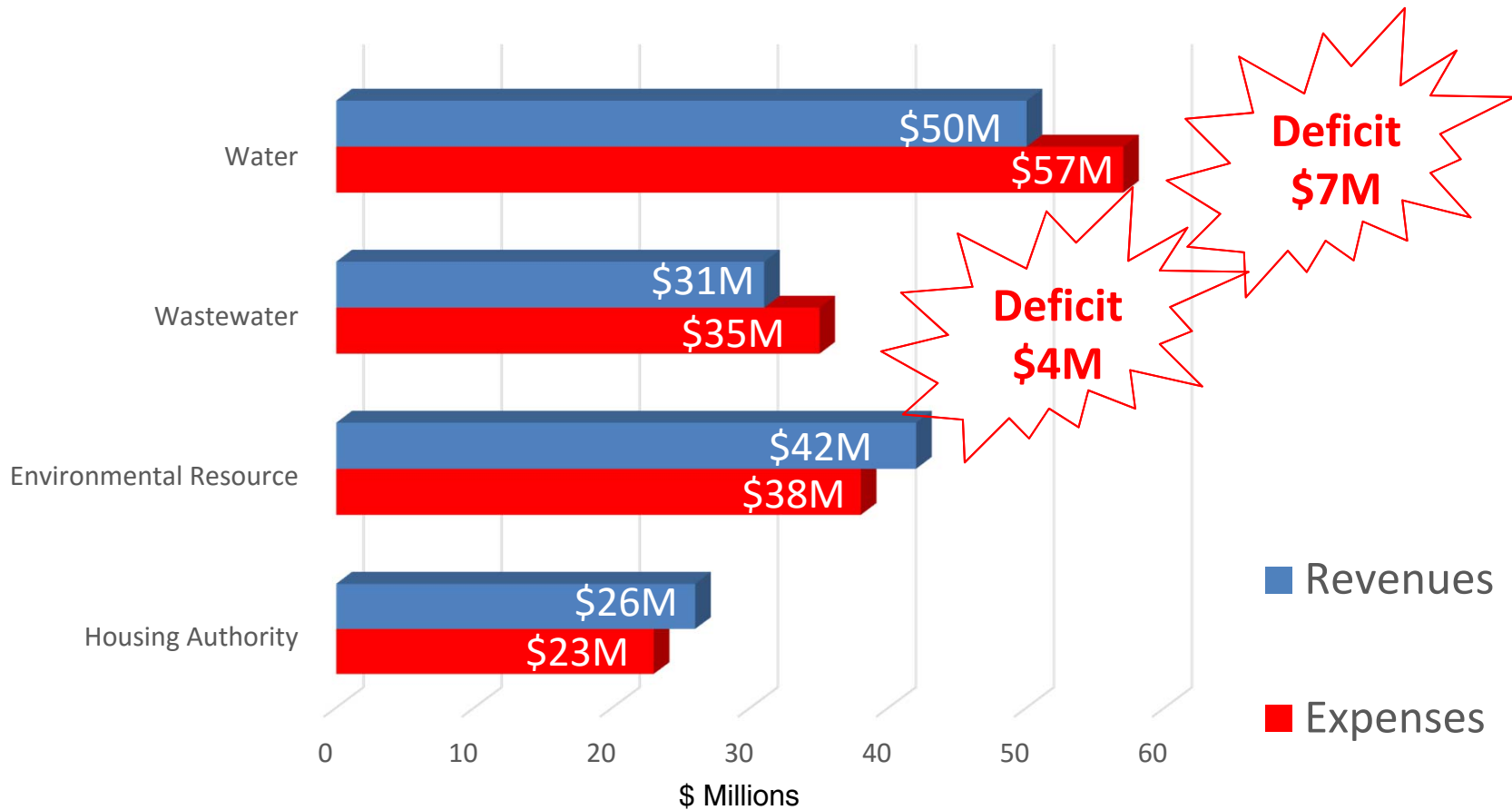


Nonmajor Funds– Budget to Actual (in thousands)



Business-Type Activities

Revenues Compared to Expenses



Categories of Net Position

- Net investment in capital assets
 - Includes all capital assets, including infrastructure
 - Reduced by accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of capital assets
- Restricted
 - external restrictions imposed by creditors, grantors, laws and regulations of other governments and restrictions imposed by constitutional provisions or enabling legislation
- Unrestricted – remaining balance after accounting for the above

Business-Type Activities (in millions)

STATEMENT OF NET POSITION - 2016	WATER	WASTEWATER	ENVIRONMENTAL RESOURCES
Cash	\$44	\$6	\$14
Other current assets	\$6	\$6	\$4
Noncurrent assets	\$5	\$1	
Capital assets and CIP	\$255	\$236	\$22
Total Assets	\$310	\$249	\$40
Deferred Outflow of Resources	\$3	\$6	\$3
Current liabilities	\$13	\$9	\$6
Noncurrent liabilities	\$186	\$131	\$16
Total Liabilities	\$201	\$140	\$21
Deferred Outflow of Resources	\$1	\$1	\$1
Net invested in capital assets	\$73	\$116	\$21
Restricted	\$24	\$4	\$1
Unrestricted	\$8	(\$5)	(\$1)
Net Position	\$114	\$115	\$14
Income (Loss) before Contributions and Transfers	\$(7)	\$(4)	\$4

General Fund Balance Sheet (in millions)

	<u>2016</u>	<u>2015</u>	<u>Variance</u>
Assets			
Cash and investments	\$ 27	\$ 25	\$ 2
Accounts receivables	3	3	-
Due from other funds	4	6	(2)
Due from other governments	11	6	5
Due from Successor Agency	8	6	2
TOTAL ASSETS	<u>\$ 53</u>	<u>\$ 46</u>	<u>\$ 7</u>
Liabilities and Fund Balance			
Accounts payable and other liabilities	\$ 15	\$ 18	\$ (3)
Due to and advances from other funds	1	-	1
Unearned revenues	3	3	-
Total Liabilities	<u>19</u>	<u>21</u>	<u>(2)</u>
Fund Balances			
Assigned – Measure O	7	4	3
Assigned – Other purposes	9	8	1
Unassigned	18	13	5
Total Fund Balances	<u>34</u>	<u>25</u>	<u>9</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 53</u>	<u>\$ 46</u>	<u>\$ 7</u>

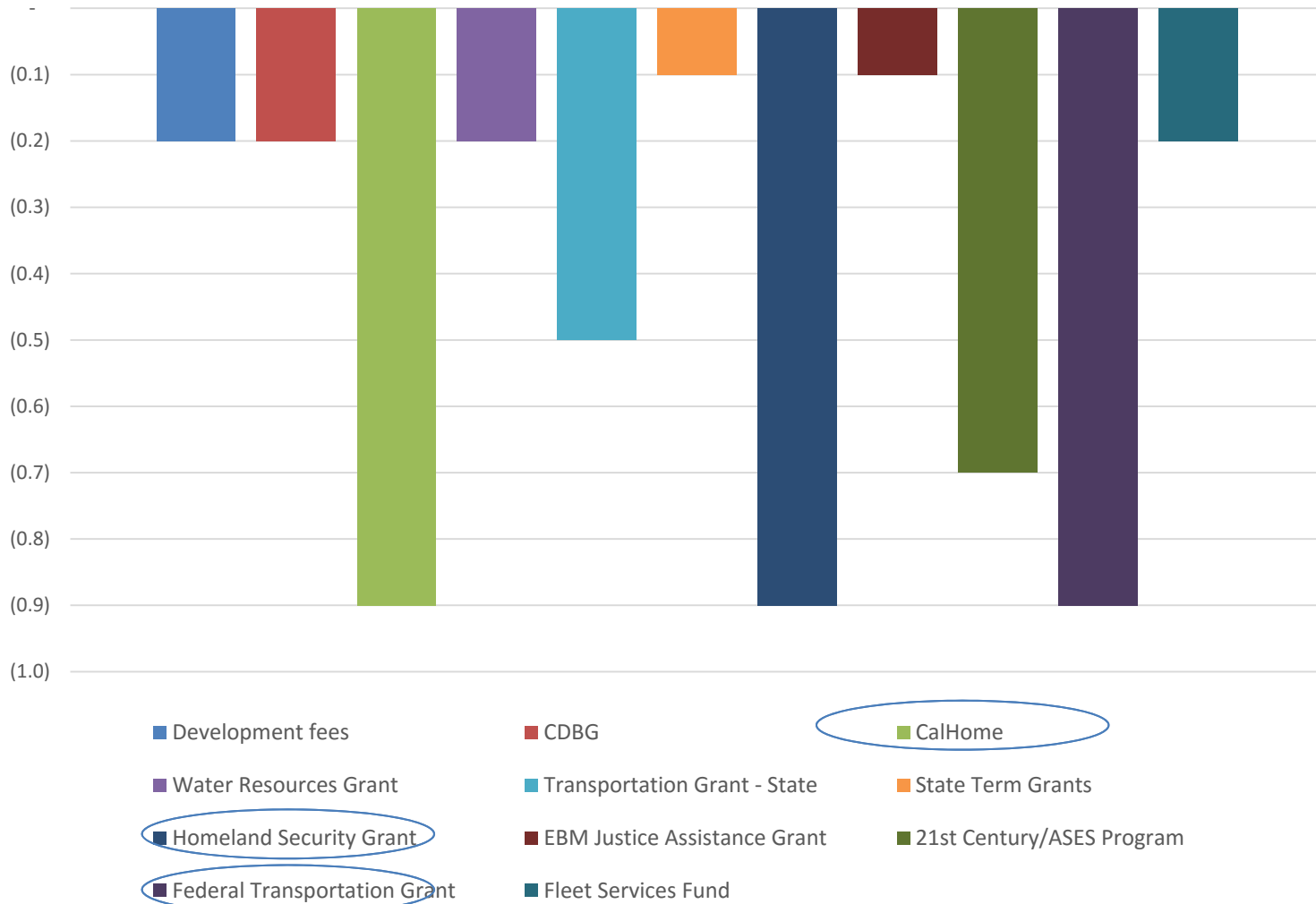
Categories of Fund Balance

- **Nonspendable** – not spendable in form (ex. prepaid items) or legally or contractually required to remain intact (endowments)
- **Restricted** – stipulated by constitution, external sources, or enabling legislation
- **Committed** – imposed by formal action of the City Council
- **Assigned** – constrained by the City's intent but neither restricted or committed
- **Unassigned** – all amounts not included in above

General Fund Changes in Fund Balance (in millions)

	<u>2016</u>	<u>2015</u>	<u>Variance</u>
Revenues			
Taxes	\$ 106	\$ 100	\$ 6
Other revenues	<u>34</u>	<u>35</u>	<u>(1)</u>
Total Revenues	<u>140</u>	<u>135</u>	<u>5</u>
Expenditures			
Current	116	117	(1)
Capital outlay	3	5	(2)
Total Expenditures	<u>119</u>	<u>122</u>	<u>(3)</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>21</u>	<u>13</u>	<u>8</u>
OTHER FINANCING SOURCES (USES)			
Net transfers	<u>(10)</u>	<u>(22)</u>	<u>12</u>
Total Other Financing Sources (Uses)	<u>(10)</u>	<u>(22)</u>	<u>12</u>
NET CHANGE IN FUND BALANCES	<u>\$ 11</u>	<u>\$ (9)</u>	<u>\$ 20</u>

Funds with Negative Cash at 6/30/16 - \$5 million



Pension Plans (in millions)

	Deferred Outflows	Net Pension Liabilities	Deferred Inflows	Net Effect to Net Position
Miscellaneous Plan	\$ 10	\$ (84)	\$ (12)	\$ (86)
Safety-Police	12	(81)	(7)	(76)
Safety-Fire	7	(38)	(4)	(35)
PARS - Supplemental	11	(34)	(4)	(27)
	<u>\$ 40</u>	<u>\$ (237)</u>	<u>\$ (27)</u>	<u>\$ (224)</u>

Contributions in 2016: \$28 M
 Contributions in 2015: \$22M
 Increase of \$6 million

In 2015: \$(239M)
 Decreased by \$15M

Other Matters

- SCO report for 2016 submitted
- Single Audit for 2016 to be completed in February
- Measure O procedures for 2015 and 2016 need to be scheduled in March
- Oxnard Housing Authority

Plan for 2017 Audit

- City to complete physical inventory and valuation of capital assets to remove modified opinion
- Significant improvement in internal control over financial reporting and compliance with federal awards
- Reconciliation of all balance sheet accounts

Timeline for 2017 Audit

May

- Entrance conference
- Interim fieldwork (2 weeks)

June -
September

- Year-end closing procedures

October -
November

- Year-end fieldwork (6 – 8 weeks)

Timeline for 2017 Audit

November -
December

- Preparation of CAFR/audit reports
- City's review of CAFR/audit reports

December
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- Report issuance

January
2018

- Single Audit
- SCO report preparation





Eden C. Casareno, CPA
Partner in-charge of Governmental
Services

Hong N. Nguyen, CPA
Audit Senior Manager

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