



Legislation Text

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File #: 16-6773, Version: 1

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** NOVEMBER 8, 2017

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of the Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR).

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**ISSUE:** Council consideration is requested of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017.

**RECOMMENDATION:** That City Council receive the Fiscal Year 2017 Comprehensive Annual Financial Report (Attachment).

**DISCUSSION:** Code of Virginia §15.2-2511 requires all local governments to have their books and records audited by an independent certified public accountant as of June 30 of each year. The Code further requires that the independent certified public accountant present a written report to the local governing body at a public session by the following December 31.

The City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017, has been completed and has been posted on the City's website at [alexandriava.gov/financialreports](http://alexandriava.gov/financialreports). This report, which follows a format prescribed by the Governmental Accounting Standards Board (GASB), includes a description of the significant financial events of the fiscal year, the City's audited financial statements, and selected financial and demographic information.

The following are highlights of the report:

The City once again received a positive "clean opinion" from its independent certified public accountant, CliftonLarsonAllen, LLP, of its financial statements for the fiscal year ended June 30, 2017. The auditors found that the City's financial statements "present fairly" the City's financial position and results of operations and that the City has complied with applicable laws and regulations related to

federal grants. The CAFR includes a Management's Discussion and Analysis section that provides an overview of the City's financial performance. It should be noted that under the guidelines of Statement Number 80 issued by the Governmental Accounting Standards Board, the Alexandria Transit Company (DASH), which was formerly presented as a Component Unit of the City, is now blended with the City's financial reporting. DASH is a non-profit corporation with the City as the sole shareholder, and DASH and the City's transactions and balances are alike, which makes it possible to blend the financial information.

## **Revenues and Expenditures**

General Fund revenues in FY 2017 totaled \$683.7 million (CAFR, Exhibit IV, page 30). Final General Fund expenditures and transfers totaled \$668.9 million, with expenditures totaling \$590.5 million and transfers to other City funds totaling \$78.4 million (CAFR, Exhibit IV, page 30). Including Other Financing Sources (Transfers to the General Fund from other funds), the net result is an increase in General Fund Balance of \$25.5 million, primarily represents the results of careful monitoring and management of revenues and departmental expenditures. This increase in General Fund Balance is consistent with that which was previously reported to Council in the October 2017 Monthly Financial Report.

## **General Fund Fund Balance**

General Fund Fund Balance, which includes all General Fund spendable and nonspendable resources, was \$120.0 million at the end of FY 2017 (CAFR, Exhibit III, page 29). This compares to the Total General Fund Balance of \$94.5 million at the end of FY 2016. Total Fund Balance increased by \$25.5 million, primarily from two areas: (1) departmental fiscal management of expenditures which overall were kept below the amount budgeted, and (2) funds derived from the 5.7 cent real estate tax rate increase that was approved in May that were received in June for the first half real estate tax payment. A portion of the additional real estate tax revenues generated in FY 2017 were allocated in the FY 2018 budget process towards Affordable Housing (\$3.6 million), and due to the tax rate increase the existing assignment for Economic Contingency was increased by \$3.6 million, and due to higher projected General Scale employee retirements the amount set aside for leave balance payout was increased from \$0.5 million to \$1.0 million. After setting aside money for encumbrances and carry over/incomplete projects the FY 2016 year end surplus was approximately \$7 million. The remaining \$7.0 million has been assigned to FY 2019 or a subsequent year for Cash Capital. All General Fund Balance Commitments and Assignments are detailed on page 52.

The Spendable Fund Balance of \$109.1 million at the conclusion of FY 2017 represents 16.0 percent of General Fund revenues (unassigned fund of balance \$61.6 million plus Commitments of \$11.7 million and Assignments of \$35.8 million (page 52). Spendable Fund Balance is the portion of accumulated total of all prior years' actual General Fund revenues in excess of expenditures that is available for appropriation by City Council. The most significant change in the Commitments and Assignments is the increase in the Assignment for Subsequent Capital Improvement Program costs, which is increasing by \$7.0 million from \$11.3 million to \$18.3 million.

The Unassigned General Fund Balance of \$61.6 million at the conclusion of FY 2017 (CAFR, page 52) represents 6.5 percent of General Fund revenues. Unassigned General Fund Balance is the accumulated total of all prior years' actual General Fund revenues in excess of expenditures, less nonspendable balances (such as inventory), and amounts committed or assigned for specific uses (such as operating and capital budgets, self-insurance, other post-employment benefits, ongoing projects, and extraordinary events such as natural disasters or other emergencies). In order to maintain a total fund balance of more than ten percent of revenues, this percentage is maintained at the same rate as the end of FY 2015 and exceeds the City's financial policy target of 5.5 percent (and above the floor of 4.0 percent).

Separate financial information for the Potomac Yard Metrorail Station Fund and the Northern Virginia Transportation Authority (NVTA) Fund are provided in the CAFR. The Potomac Yard Fund ended FY 2016 with a \$17.0 million fund balance (CAFR, page 180), while the NVTA Fund had a fund balance of \$5.7 million. The balances in these funds will be used for the upcoming Potomac Yard Metrorail Station project and NVJA funded other transportation projects. The City continues to comply with all debt and fund balance-related financial targets and limits (CAFR, page 10).

Federal grant expenditures of \$46.6 million exceed FY 2016 by \$8.2 million. Increases in federal awards from the Departments of Education, Transportation, Justice, Agriculture and Housing and Urban Development were offset by decreases in expenditures funded by federal awards from the EPA, and the Department of Homeland Security. The most significant increases were in Community Development Block Grant Program funds expended (\$0.8 million), federal seized assets (\$0.6 million), highway planning and construction and transit formula grants (\$4.5 million) and USDA funding for several different programs feeding children and adults (\$0.9 million), Title I, Special Education and other education programs (\$2.0 million), as well as several other small increases totaling approximately \$0.5 million. The most significant decreases were in EPA funding (\$0.7 million and Department of Homeland Security (\$0.2 million), as well as several other smaller decreases totaling \$0.2 million. Changes in expenditures from federal awards can be related to the timing of the spending and not necessarily due to losses in federal funding, particularly with transportation projects that are multi-year in scope. All federal expenditures are subject to very stringent audit and accounting requirements.

## **CAFR**

To comply with GFOA guidelines, the CAFR also includes statistical and indicator sections. These sections provide key information regarding the state of the City. Much of this information aligns with the recently published performance reports. These reports are developed by departments in collaboration with the Office of Performance and Accountability. These reports can be found at <http://www.alexandriava.gov/performance>. Staff is confident that the City's FY 2017 CAFR will be awarded the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The City has received this award for each of the last 42 consecutive years. In keeping with its commitment to excellence in financial reporting, efficiency and effectiveness of operations and compliance with applicable laws and regulations, the City implemented all new, required GASB standards (note 20).

**FISCAL IMPACT:** None in addition to that explained in this memorandum.

**ATTACHMENT:** FY 2017 Comprehensive Annual Financial Report (CAFR)

## **STAFF:**

Laura Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Michael Stewart, Deputy Director, Finance Department

Ian Greaves, Comptroller, Finance Department