



Legislation Text

File #: 18-7921, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 7, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of the Fiscal Year 2018 Comprehensive Annual Financial Report (CAFR).

ISSUE: Council consideration is requested of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018.

RECOMMENDATION: That City Council receive the Fiscal Year 2018 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, 2018, has been completed and has been posted on the City's website at <https://www.alexandriava.gov/uploadedFiles/finance/info/CAFR%20FY18%20v3.3.1-DRAFT.pdf>. 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, 2018. 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 Governmental Accounting Standards Board Statement Number 75, which changed the Accounting and Financial Reporting Requirements for Postemployment Benefits other than Pensions (OPEB). GASB 68 significantly impacted the bottomline for all government entities, requiring Pension Assets and Liabilities to be shown on the balance sheet (Statement of Net Position). GASB 75 requires a restatement of beginning net position for the net OPEB assets and liabilities. The restatement decreased the net position by \$42.0 million for the governmental activities and by \$15.2 million for the Component Units.

Revenues and Expenditures

General Fund revenues in FY 2018 totaled \$894.1 million (CAFR, Exhibit IV, page 41). Final General Fund expenditures and transfers totaled \$885.3 million, with expenditures totaling \$614.7 million and the payment to the refunded bonds escrow agent and transfers to other City funds totaling \$270.6 million (CAFR, Exhibit IV, page 41). Including Other Financing Sources (Transfers to the General Fund from other funds), the net result is an increase in General Fund Balance of \$8.9 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 City Council in the October 2018 Monthly Financial Report.

General Fund Fund Balance

General Fund Fund Balance, which includes all General Fund spendable and nonspendable resources, was \$129.0 million at the end of FY 2018 (CAFR, Exhibit III, page 39). This compares to the Total General Fund Balance of \$120.0 million at the end of FY 2017. Total Fund Balance increased by \$8.9 million, primarily from two areas: (1) departmental fiscal management of expenditures which overall were kept below the amount budgeted, and real estate tax revenues greater than budgeted due to a slightly larger 2018 appreciation level than was assumed in the FY 2018 Approved Budget. After setting aside money for encumbrances and carry over/incomplete projects the FY 2018 year-end surplus added to the City's General Fund Balance was approximately \$1.6 million.

The Spendable Fund Balance of \$117.9 million at the conclusion of FY 2018 represents 16.5 percent of General Fund revenues (unassigned fund of balance \$73.8 million plus Commitments and Assignments of \$44.2 million (page 58). 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 Unassigned General Fund Balance of \$73.8 million at the conclusion of FY 2018 (CAFR, page 58) represents 10.2 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).

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 2018 with a \$16.6 million fund balance (CAFR, page 198), while the NVTa Fund had a fund balance of \$6.5 million. The balances in these funds will be used for the upcoming Potomac Yard Metrorail Station project and NVTa 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 \$42.1 million are less than FY 2017 by \$4.5 million. The most significant decreases occurred in federal transit formula and capital investment grants (\$3.4 million and approximately \$0.7 million Community Development Block Grant funds). 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. Staff is confident that the City's FY 2018 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 43 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 2018 Comprehensive Annual Financial Report (CAFR)

STAFF:

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Kendel Taylor, Director, Finance Department

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Ian Greaves, Comptroller, Finance Department