



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** NOVEMBER 6, 2019

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

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

**DOCKET TITLE:**

Consideration of the Fiscal Year 2019 Comprehensive Annual Financial Report (CAFR).

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**ISSUE:** Consideration is requested of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019.

**RECOMMENDATION:** That City Council receive the Fiscal Year 2019 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, 2019, has been completed and has been posted on the City's website at [new <https://www.alexandriava.gov/uploadedFiles/finance/info/CAFR%20FY18%20v3.3.1-DRAFT.pdf> link](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, 2019. 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 the City's total Net Position, excluding component units, on a government wide basis, increased approximately \$63.7 million from \$506.3 million to \$570.0 million at June 30, 2019 indicating improvement in the City's financial health. The government-wide activities had an unrestricted net position of \$77.7 million as of June 30, 2019, an increase of \$13.6 million from FY 2018 and the General Fund, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses by \$13.3 million.

Over the last five years, the City has maintained its fiscal strength as the result of the City Council's adoption of, and subsequent adherence to, the series of financial policies aimed at (1) limiting debt and annual debt service requirements and (2) maintaining an appropriate General Fund balance to retain the City's AAA/Aaa bond ratings and to keep the City on firm financial footing. The City has also maintained superior debt ratios by using "pay-as-you-go" financing for many of its capital projects. No new GASB implementations were required this year.

## **Revenues and Expenditures**

General Fund revenues in FY 2019 totaled \$756.2 million (CAFR, Exhibit IV, page 42). Final General Fund expenditures and transfers totaled \$742.9 million, with expenditures totaling \$632.3 million. (CAFR, Exhibit IV, page 42. Including Other Financing Sources (Transfers to the General Fund from other funds), the net result is an increase in Spendable General Fund Balance of \$13.3 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 2019 Monthly Financial Report.

## **General Fund Fund Balance**

General Fund Fund Balance, which includes all General Fund spendable and non-spendable resources, was \$143.2 million at the end of FY 2019 (CAFR, Exhibit III, page 41). This compares to the Total General Fund Balance of \$129.0 million at the end of FY 2018. Total Fund Balance, including a small \$0.9 million reserve for inventory) increased by \$14.2 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 2019 appreciation level than was assumed in the FY 2019 Approved Budget. The ending position for the fiscal year will enable departmental incomplete projects and some emergency operating and capital needs to be addressed, such as enhanced security for City Hall, and accelerated cyber security investments. FY 2019 remaining funds will also be able to be set aside for FY 2021 and future operating and capital budget consideration.

The Spendable Fund Balance of \$137.5 million at the conclusion of FY 2019 represents 18.5 percent of General Fund revenues (unassigned fund balance of \$81.4 million plus Commitments and Assignments of \$56.1million (page 61). 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 \$81.4 million at the conclusion of FY 2019 (CAFR, page 61) represents 10.9 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 non-spendable 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 2019 with a \$21.2 million fund balance (CAFR, page 211), while the NVTA Fund had a fund balance of \$3.0 million. The balances in these funds will be used for the 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 12).

### **Single Audit**

In addition to a financial audit, the City's external auditors also perform a compliance audit for the City's federal grant programs. Federal grant expenditures of \$44.8 million (CAFR, page 248) are more than FY 2018's 41.6 million by \$3.2 million. The most significant increases occurred in Health and Human Services grants (\$1.2 million) and in Homeland Security grants (\$0.9 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. This separate compliance audit covers the City's federal monies spent in FY19. Each year, the auditors select several federal programs and review both fiscal and program aspects to ensure the City complies with grant requirements. Of the programs reviewed, the auditors identified two compliance discrepancies they believe warrant inclusion in their audit report.

The two audit findings occurred in two programs. The first program, Temporary Assistance for Needy Families (TANF) represents approximately \$1.2 million in FY19 expenditures and the other program, Adoption Assistance, represents \$1.4 million in FY19 expenditures. The TANF program findings related to documentation and the Adoption Assistance finding includes an issue with the documentation for the calculation for an adoption subsidy program (Single Audit page 241).

The auditor recommendation for remedying this finding is to review and enhance, as needed, the City's policies and procedures so that our documentation reflects grant 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 2019 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 more than 40 years.

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

**ATTACHMENT:** FY 2019 Comprehensive Annual Financial Report (CAFR)

### **STAFF:**

Laura B. Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department