



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 4, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Receipt of the Fiscal Year 2020 Comprehensive Annual Financial Report (CAFR).

ISSUE: Consideration is requested of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020.

RECOMMENDATION: That City Council receive the Fiscal Year 2020 Comprehensive Annual Financial Report (Attachment).

DISCUSSION: Code of Virginia §15.2-2511 requires all local governments to have their accounting 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, 2020, has been completed and has been posted on the City's website at <https://www.alexandriava.gov/uploadedFiles/finance/info/FY2020CAFR.pdf> <<https://gcc01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.alexandriava.gov%2FuploadedFiles%2Ffinance%2Finfo%2FFY2020CAFR.pdf&data=04%7C01%7CKendel.Taylor%40alexandriava.gov%7Cc62981663d87422f6fd308d87c26dcd6%7Cfeaa9b3143754aeeadccc76ad32a890b%7C0%7C0%7C637395853640029513%7CUnknown%7CTWFpbGZsb3d8eyJWljiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6IklhaWwiLCJXVCI6Mn0%3D%7C1000&sdata=w%2FmkGMqfuH0ZO8dvfnXw5dbh1zcgAUX9C61WfeMZ8Hw%3D&reserved=0>> 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, 2020. 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 \$14.4 million from \$570.0 million to \$584.4 million on June 30, 2020 indicating improvement in the City's overall financial health. This change in Net Position also reflects changes in current pension fund assets and unfunded liability calculations. The government-wide activities had an unrestricted net position of \$103.0 million as of June 30, 2020, an increase of \$25.3 million from FY 2019 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 \$6.7 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 regulatory implementations were required this year.

Revenues and Expenditures

General Fund revenues in FY 2020 totaled \$729.6 million (CAFR, Exhibit IV, page 42). Final General Fund expenditures and transfers totaled \$732.2 million, with expenditures totaling \$631.0 million. (CAFR, Exhibit IV, page 42. Including Other Financing Sources (Transfers to the General Fund from other funds) of \$9.3 million, the net result is an increase in Spendable General Fund Balance of \$6.7 million, primarily resulting from the \$24.0 million reduction to cash capital funding of the Capital Improvement Program. This was a strategic initiative devised in April 2020 and presented as part of the Approved FY 2021 Budget 2.0. This increase in General Fund Balance is consistent with that which was previously reported to City Council in the September 2020 Monthly Financial Report.

General Fund Fund Balance

General Fund Fund Balance, which includes all General Fund spendable and non-spendable resources, was \$152.8 million at the end of FY 2020 (CAFR, Exhibit III, page 41). This compares to the Total General Fund Balance of \$143.2 million at the end of FY 2019. Total Fund Balance (including an increase of \$2.9 million reserve for inventory) increased by \$9.6 million, primarily from two areas: (1) the cash capital savings described above and additional savings generated by departments through vacancies and reductions in discretionary spending in the final quarter of FY 2020 during the COVID-19 pandemic. The ending position for the fiscal year enabled a small investment of \$3.1 million in carryover and incomplete projects.

The Spendable Fund Balance of \$145.7 million at the conclusion of FY 2020 represents 20.0 percent of General Fund revenues (unassigned fund balance of \$85.7 million plus Commitments and Assignments of \$60.0 million (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 \$85.7 million at the conclusion of FY 2020 (CAFR, page 61d) 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). While the total unassigned General Fund Balance has increased in recent years, it is still below levels desired by the bond rating agencies.

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 2020 with a \$27.3 million fund balance (CAFR, page 62), while the NVTA Fund had a fund balance of \$1.4 million. The balances in these funds will be used for the Potomac Yard Metrorail Station project and NVTA-funded transportation projects. The City continues to comply with all debt and fund balance-related financial targets and limits (CAFR, page 12).

Management Letter/Auditor of Public Accounts Letter

CliftonLarsonAllen's auditors have indicated that they will issue a management letter to the City citing an accounting deficiency where a \$7.9 million loan to a housing non-profit was booked as a \$7.4 million note receivable. The predevelopment cost of \$0.5 million was not included, however the loan documents and financial obligations to the City remained at \$7.9 million. The Department of Finance and the Office of Housing have taken steps to correct this error and to put in place a new internal reporting practice. The Auditor of Public Accounts Letter from CliftonLarsonAllen will also cite the late filing of one financial disclosure form by a commission member. The form was filed two days late.

Single Audit

Typically, the Single Audit is presented as part of the City's Comprehensive Annual Financial Report (CAFR). At the advice of the City's external auditors, for FY 2020, the audit of the federal awards will be issued later this year as a separate report and not included as part of the City's final CAFR. The City's federal funded programs are reported on the Schedule of Expenditures of Federal Awards (SEFA) and are subject to be audited in accordance with the Single Audit Act. CARES Act funds are considered a federal award and may be subject to be audited in accordance with the Single Audit Act if the expenditures exceed a materiality threshold; the City's FY 2020 expenditures supported by CARES funding met the threshold, and therefore, subject to audit. At this time, the supplemental guidance from the federal Office of Budget and Management (OMB) has not been issued to provide the external auditors with the methodology for auditing the CARES funding. As such, the City's SEFA and single audit of federal programs will be audited when the federal guidance is available.

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 2020 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 beyond that explained in this memorandum.

ATTACHMENT: FY 2020 Comprehensive Annual Financial Report (CAFR)

STAFF:

Laura B. Triggs, Deputy City Manager
Kendel Taylor, Director, Finance Department
Ian Greaves, Comptroller