



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** NOVEMBER 15, 2022

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

**THROUGH:** JAMES F. PARAJON, CITY MANAGER /s/

**FROM:** KENDEL TAYLOR, INTERIM DEPUTY CITY MANAGER

**DOCKET TITLE:**

Receipt of the Fiscal Year 2022 Annual Comprehensive Financial Report (ACFR).

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**ISSUE:** Consideration is requested of the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022.

**RECOMMENDATION:** That City Council receive the Fiscal Year 2022 Annual Comprehensive 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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022, has been completed and has been posted on the City's website at [alexandriva.gov/financialreports](https://www.alexandriva.gov/financialreports) <<https://www.alexandriva.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 fully expects to again receive a positive "clean opinion" from its independent certified public accountant firm, CliftonLarsonAllen, LLP, of its financial statements for the fiscal year ended June 30, 2022.

The auditors are in the final stages of review and the City expects to receive their opinion prior to the City Council meeting on November 22. Such an unmodified opinion, if received, would indicate that the auditors find the City's financial statements to fairly present the City's financial position and results of operations and that the City complied with applicable laws and regulations related to federal grants. The ACFR 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 \$40.1 million from \$615.6 million to \$655.7 million on June 30, 2022, indicating improvement in the City's overall financial health. This change in Net Position also reflects changes in current pension fund assets and net pension liability calculations. The government-wide activities had an unrestricted net position of \$286.8 million as of June 30, 2021, an increase of \$135.0 million from FY 2021 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 \$49.2 million.

Over the last several years, the City has maintained its fiscal strength as the result of the City Council's adoption of, and staff's 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 substantial "pay-as-you-go" financing for many of its capital projects. The General Fund contributed \$44.8 million in "pay-as-you-go" financing of capital projects in FY 2022, representing 5.8 percent of all General Fund expenditures.

## Revenues and Expenditures

General Fund revenues in FY 2022 totaled \$781.5 million (ACFR, Exhibit IV). Final General Fund expenditures and transfers, excluding bond refunding, totaled \$778.0 million, with expenditures alone totaling \$650.7 million. (ACFR, Exhibit IV, page 42). Including Other Financing Sources (Transfers to the General Fund from other funds) of \$9.2 million, the net result is an increase in Spendable General Fund Balance of \$49.2 million, primarily due to expenditures savings as the City slowly fills positions that were vacated during the pandemic hiring freeze and the recognition of American Rescue Plan Act Funds (ARPA) to replace lost revenue. The City recognized ARPA funds as Revenue Replacement to fund public safety salaries in FY 2022. The resulting surplus will be used to fund projects identified and approved by City Council to benefit the community and address specific capital projects related to flood mitigation and stormwater management.

## General Fund Fund Balance

General Fund fund balance, which includes all General Fund spendable and non-spendable resources, was \$225.1 million at the end of FY 2022 (ACFR, Exhibit III). This compares to the Total General Fund Balance of \$176.6 million at the end of FY 2021. Total Fund Balance (including an increase of \$0.2 million reserve for inventory) increased by \$49.2 million, for the reasons cited in the above paragraph. These accumulated resources have been assigned to fund the capital program and operating budgets in future fiscal years, as well as departmental incomplete projects and future transit costs.

The Spendable fund balance of \$204.7 million available at the conclusion of FY 2022, which consists of \$98.9 million in Committed and Assigned, and \$105.7 in Unassigned fund balance, represents 26.2 percent of General Fund revenues. 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 \$105.7 million at the conclusion of FY 2022 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, 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 ACFR. The Potomac Yard Fund ended FY 2022 with a \$31.9 million fund balance, while the NVTA Fund had a fund balance of \$5.7 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.

### **Single Audit**

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. Federal pandemic relief funds including those from the American Rescue Plan Act (ARPA) are considered federal awards and are subject to be audited in accordance with the Single Audit Act if the expenditures exceed a materiality threshold. The Single Audit will be completed in accordance with the March 31, 2023 deadline.

### **ACFR**

To comply with GFOA guidelines, the ACFR 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 2022 ACFR 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.

The title of the report changed this year from Comprehensive Annual Financial Report to Annual Comprehensive Financial Report. GASB found that the common pronunciation of the acronym for the previous title of Comprehensive Annual Financial reports sounds like a profoundly objectionable racial slur for some communities.

**FISCAL IMPACT:** None beyond that explained in this memorandum.

**ATTACHMENT:** FY 2022 Annual Comprehensive Financial Report (ACFR)

### **STAFF:**

Ian Greaves, Comptroller