

City of Sacramento

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Title: Fiscal Year 2018/19 Comprehensive Annual Financial Report (CAFR)

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Attachments:

Date	Ver.	Action By	Action	Result
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Title:
Fiscal Year 2018/19 Comprehensive Annual Financial Report (CAFR)

File ID: 2020-00076

Location: Citywide

Recommendation:

Adopt a Resolution 1) accepting the Fiscal Year 2018/19 Comprehensive Annual Financial Report; and 2) and accepting the auditor's letter to the City Council.

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Presenter: Osvaldo Lopez, Finance Manager, (916) 808-4740, Department of Finance

Attachments:

- 1-Description/Analysis
- 2-Resolution
- 3-FY2018/19 CAFR
- 4-FY2018/19 Auditor's Letter on CAFR

Description/Analysis

Issue Detail: The City's FY2018/19 Comprehensive Annual Financial Report (CAFR) presents the City's financial condition and the results of activities for the fiscal year that ended June 30, 2019. An independent public accounting firm, Macias, Gini & O'Connell LLP, has audited the CAFR financial statements as required by the City Charter.

Overview of Report

- The City has prepared the CAFR to present financial information in a standard format prescribed by the Government Finance Officers Association.
- The CAFR is organized as follows:
 - An **Introductory Section** with a transmittal letter summarizing economic conditions, budget initiatives, and other information.
 - A **Financial Section** that begins with Management's Discussion and Analysis (MD&A) presenting a narrative overview, analysis of the financial statements, and comments on the City's financial outlook. The basic financial statements follow the MD&A and report the financial position and the results of the operations of the City as a whole, and the financial performance of the City's major funds. Footnotes to the financial statements are included to provide additional information. Finally, combining fund financial statements are presented to provide additional financial details of the City's activities.
 - A **Statistical Section** with selected financial, demographic and operating trend information.
- In FY2018/19, the City implemented two new accounting and financial reporting standards issued by the Governmental Accounting Standards Board (GASB) in the CAFR:
 - Statement No. 83, *Certain Asset Retirement Obligations*,
 - Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

General Fund FY2018/19 Financial Results

- **Net Results**

The following schedule summarizes the FY2018/19 net budgetary results, which resulted in \$19.5 million in resources above budget:

FY2018/19 General Fund Summary		\$ in 000s
Major Tax Revenues		
Property	\$	3,609
Sales		6,237
Utility user		90
Real property transfer		(50)
Other taxes (BOT/TOT)		1,309
Subtotal Major Tax Revenue		11,195
Department operations		8,091
GEMT/IGT revenue		3,378
Other Citywide revenue/expenditure results		6,907
Subtotal Results		29,571
GEMT/IGT reserves ¹		(3,378)
PERS savings to OPEB Trust ²		(6,644)
Unassigned Fund Balance ³	\$	19,549

¹ Pursuant to Emergency Medical Services (EMS) Revenue Recovery Policy adopted June 26, 2012, and amended December 5, 2017.

² Pursuant to Resolution 2018-0235 Section 8.8, PERS savings are generated by vacant positions and calculated before other policy adjustments reduce the net department results. The \$6.6 million contribution to the OPEB trust will bring the OPEB trust fund assets from \$43.3 million to \$49.9 million and increase the funded status from 7.7% to 12.5% based on the City's total OPEB liability of \$400 million.

³ FY2018/19 Unassigned Fund Balance as represented in this chart reflects the General Fund activities/results for the current fiscal year and does not include unassigned fund balance from prior fiscal years (see page 22 of the CAFR for additional information).

• **Revenue**

Total General Fund revenue exceeded the FY2018/19 Approved Budget as amended by \$21.2 million. Tax revenue was \$11.2 million higher than the budget projections, a variance of 3.2%. The variance was mainly due to sales taxes and real property transfer taxes that ended higher than projected by \$6.2 million and \$3.2 million, respectively, the result of increases in market value and activity. Other taxes, including property, utility user, business operations, and in lieu taxes ended higher than projected by \$1.3 million.

\$2.5 million received from the County related to auto sales tax agreement was added to the General Fund Economic Uncertainty Reserve (EUR), bringing the General Fund EUR to \$55.2 million as of June 30, 2019.

• **Expenditures**

- The General Fund departments-except for fire and police-ended fiscal year FY2018/19 within their budgeted operating expenditure authority. Details on all the departments' year-end results are provided in the chart below.

• **Operating Department Results**

- Most General Fund departments achieved positive budgetary results during FY2018/19 as reflected below:

Department	Results (\$ in 000s)
Mayor/Council	\$ 316
City Manager	713
City Attorney	2
City Clerk	164
City Treasurer	1,334
Community Development	4,176
Convention and Cultural Services	24
Finance	1,016
Fire	(435)
Human Resources	-
Information Technology	118
Parks and Recreation	1,505
Police	(2,272)
Public Works	1,374
Utilities	56
Total Results	\$ 8,091

Departments that had significant variances between budget and year-end results have provided the following explanations:

Treasurer - Positive results are primarily due to a combination of labor savings from vacant positions, and service and supply savings.

Community Development - Positive results are primarily due to higher revenue associated with developer activity.

Finance - Positive results are primarily due to a combination of labor savings from vacant positions, unclaimed property revenue and service and supply savings.

Fire - Negative results are primarily due to a combination of higher than expected overtime and expenditures incurred due to a new requirement for the department to participate in the mandatory Ground Emergency Medical Transport Quality Assurance Fee Program.

Parks and Recreation - Positive results are primarily due to a combination of labor savings from vacant positions and service and supply savings.

Police - Negative results are primarily due to unexpected overtime combined with litigation costs and equipment purchases.

Public Works - Positive results are primarily due to higher than expected revenue associated with parking-meter collections. Additionally, there was also higher than anticipated revenue for concrete maintenance associated with sidewalks repairs.

Measure U Fund FY2018/19 Financial Results

The FY2018/19 CAFR presents the sixth full year of activity in the Measure U Fund. Revenue recognized in the fund was \$66.3 million, compared to the \$58.2 million amended revenue budget. Measure U expenditures in FY2018/19 totaled \$60.8 million, compared to the amended budget of \$74.6 million. Additional information regarding the Measure U spending plan is included in the FY2019/20 Midyear Report.

Auditor's Letter to the City Council

The auditor's letter to the City Council is additional communication required by audit standards. It conveys that there were no difficulties encountered performing the audit or disagreements between the auditors and City staff. The letter also includes information about significant estimates and footnote disclosures included in the financial statements.

Policy Considerations: This report is required by the City Charter, federal and state grant requirements, and bond covenants.

Economic Impacts: None.

Environmental Considerations: Not applicable.

California Environmental Quality Act (CEQA): This action is not a project subject to CEQA because it involves only organizational or administrative activities that will not result in direct or indirect physical changes in the environment (14 Cal. Code Regs. § 15378(b)(5)).

Sustainability: Not applicable.

Commission/Committee Action: The FY2018/19 CAFR was presented to the Budget and Audit Committee on Tuesday, January 28, 2020. The Committee approved a motion to forward the report to the City Council.

Rationale for Recommendation: It is in the best interest of the City to accept the FY2018/19 CAFR and the auditor's letter to the City Council for the following reasons:

- The annual audit is required by the City Charter, federal and state grant requirements and bond covenants.
- The public accounting firm of Macias Gini & O'Connell LLP has audited the City's FY2018/19

financial statements and has rendered its unmodified opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles.

- The auditor's letter to the City Council reflects no significant audit issues or disagreements with management in connection with this audit.

Financial Considerations: General Fund budgetary results for the fiscal year that ended June 30, 2019, provide one-time resources. Recommendations for the use of these resources are outlined in the FY2019/20 Midyear Report.

Local Business Enterprise (LBE): No goods or services are being purchased under this report.