

City of Sacramento

Legislation Details (With Text)

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Title: Fiscal Year 2017/18 Comprehensive Annual Financial Report (CAFR)

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Attachments:

Date	Ver.	Action By	Action	Result
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Title:
Fiscal Year 2017/18 Comprehensive Annual Financial Report (CAFR)

File ID: 2018-01756

Location: Citywide

Recommendation:

Adopt a Resolution: 1) accepting the Fiscal Year 2017/18 Comprehensive Annual Financial Report (CAFR); and 2) accepting the auditor's letter to the City Council.

Contact: Osvaldo Lopez, Accounting Manager, (916) 808-4740; Dawn Holm, Director, (916) 808-5574, Department of Finance

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Resolution
- 3-FY2017/18 CAFR
- 4-FY2017/18 Auditor's Letter on CAFR

Description/Analysis

Issue Detail: The City's Fiscal Year (FY) 2017/18 Comprehensive Annual Financial Report (CAFR) presents the City's financial condition and the results of activities for the fiscal year that

ended June 30, 2018. An independent public accounting firm, Vavrinek, Trine, Day & Co., LLP, has audited the CAFR financial statements, as required by Chapter 117 of the City Charter.

Overview of Report

- The City 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** which begins with Management's Discussion and Analysis (MD&A), 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 FY2017/18, the City implemented five new accounting and financial reporting standards issued by the Governmental Accounting Standards Board (GASB) in the CAFR:
 - Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*,
 - Statement No. 81, *Irrevocable Split-Interest Agreements*,
 - Statement No. 85, *Omnibus 2017*,
 - Statement No. 86, *Certain Debt Extinguishment Issues*, and
 - Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

General Fund FY2017/18 Financial Results

- **Net Results**

The following schedule summarizes the FY2017/18 budgetary results:

Major Tax Revenues		
Property	\$	1,705
Sales		1,353
Utility user		577
Real property transfer		969
Other taxes (BOT/TOT)		618
Subtotal Major Tax Revenue		5,222
Department operations		11,519
County auto sales tax payment		3,056
GEMT/IGT revenue		6,189
Other Citywide revenue/expenditure results		885
Subtotal Results		26,871
One-time unbudgeted revenue to EUR		(3,056)
GEMT/IGT reserves ¹		(6,189)
PERS savings to OPEB Trust ²		(2,619)
Unassigned Fund Balance ³	\$	15,007

¹ Pursuant to Emergency Medical Services (EMS) Revenue Recovery and Fee Waiver Policy adopted December 5, 2017

² Pursuant to Resolution 2015-0169 Section 8.10, PERS savings are generated by vacant positions and calculated before other policy adjustments reduce the net department results. In many cases, particularly in the Police and Fire Departments vacancy savings is spent on other expenditure categories including overtime. The \$2.6 million contribution to the OPEB trust will bring our OPEB trust fund assets from \$29 million to \$32 million. A decrease in the funded status from 8.0% to 7.7% based on the City's total OPEB liability of \$415 million.

³ FY2017/18 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 FY2017/18 Approved Budget as amended by \$19.7 million, of which \$3.1 million was unbudgeted revenue from the County of Sacramento (City/County auto sales tax sharing agreement). Tax revenue was \$5.2 million higher than the budget projections, a variance of 1.6%. Sales taxes and real property transfer taxes ended higher than projected by \$1.3 million and \$1 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 \$2.9 million.

As mentioned above, the \$3.1 million received from the County was unbudgeted revenue. Pursuant to the policy direction provided by Resolution 2012-248, this one-time unbudgeted revenue was added to the General Fund Economic Uncertainty Reserve (EUR). With the additional \$3.1 million, the General Fund EUR is \$52.7 million, or 10.5% of FY2018/19 budgeted revenues, as of June 30, 2018.

- **Expenditures**

With the exceptions of the Fire and Public Works Departments, departments ended FY2017/18 within their budgeted expenditure authority. The Fire Department ended the fiscal year positive as revenues above budget covered the expenditure overage. Details on the Public Works Department as well as other departments year-end results is provided below.

- **Operating Department Results**

Most General Fund departments achieved positive budgetary results during FY2017/18. The information below provides additional detail on department results that varied significantly from budget expectations or had negative net budgetary results:

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

Police - Positive results are primarily due to increased billable security services, mainly related to events in the Golden 1 Center, as well as labor savings from vacant positions and service and supply savings.

Public Works - Negative results are primarily due to an increase in credit card fees, a result of the City's new parking meters accepting credit cards. Additionally, the new meters incur an on-going monthly communication fee to ensure credit card functionality as well as connection with the mobile pay app.

Parks and Recreation - Positive results are primarily due to the City's 4th R Program not needing the budgeted General Fund subsidy as well as labor savings from vacant positions and service and supply savings.

Community Development - Positive results are primarily due to labor savings from vacant positions as well as service and supply savings.

The following table summarizes the FY2017/18 General Fund department budgetary results:

Department Budgetary Results

Department	Results (\$ in 000s)
Mayor/Council	\$ 185
City Manager	739
City Attorney	350
City Clerk	212
City Treasurer	828
Community Development	3,212
Convention and Cultural Services	261
Finance	1,436
Fire	524
Human Resources	315
Information Technology	412
Parks and Recreation	1,085
Police	1,936
Public Works	(41)
Utilities	65
Total Results	\$ 11,519

Measure U Fund FY2017/18 Financial Results

The FY2017/18 CAFR presents the fifth full year of activity in the Measure U Fund. Revenue recognized in the fund was \$46.7 million, compared to the \$45.4 million revenue budget. Measure U operating expenditures in FY2017/18 totaled \$55.2 million, compared to an operating budget of \$42 million. Additional information regarding the Measure U spending plan is included in the FY2018/19 Midyear Report.

Auditor's Letter to the City Council

The auditor's letter to the City Council is additional communication required by audit standards which 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:

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 (CEQA Guidelines §15378 (b)(5)).

Sustainability: Not applicable.

Commission/Committee Action: The FY2017/18 CAFR was presented to the Budget and Audit Committee (Committee) on Tuesday, January 29, 2019. The Committee approved a motion to forward the report to Council.

Rationale for Recommendation: It is in the best interest of the City to accept the FY2017/18 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 Vavrinek, Trine, Day & Co., LLP, has audited the City's FY2017/18 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, 2018, provide one-time resources. Recommendations for the use of these resources are outlined in the FY2018/19 Midyear Report.

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