

MEMORANDUM

TO: Donna Barron, City Manager

FROM: David Erb, Director of Finance

DATE: March 6, 2020

**SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR
FISCAL YEAR ENDING SEPTEMBER 30, 2019**

BACKGROUND

The independent annual audit of the City's financial statements is complete. The 2019 Comprehensive Annual Financial Report (CAFR) is provided in compliance with the City Council's Finance Policy Statement 3.0 Section I. The report includes the auditor's opinion statement regarding the financial statement presentation. Enclosed additionally are the Single Audit reports on Federal Financial Assistance (SEFA) and State Financial Assistance (SESA). The City's external auditors, Weaver, LLP will provide a short presentation during the workshop as part of their required communications according to generally accepted auditing standards.

The auditor's opinion statement can be found starting on page 19 of the CAFR and states that in their opinion the financial statements present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019 in conformity with accounting principles generally accepted in the United States of America.

Most other reporting provided to Council can best be described as *internal financial reporting*. These reports can be designed to meet specific management needs and preferences. The content, format and timing of such reports remain at the discretion of management. The City's annual budget is an example of internal financial reporting whose primary purpose is to help management monitor budgetary compliance.

This audit report, on the other hand, is relied upon by a wide variety of interested parties, not just management and therefore, must be designed to serve a broad range of potential users. The audit report can best be described as *general purpose external financial reporting* and is intended to meet the needs of those who do not have direct access to the financial information. General purpose external financial reporting is governed by generally accepted accounting principles (GAAP), which may or may not be consistent with the approach taken to calculating and presenting data for budgetary purposes. For state and local governments, GAAP is determined by the authoritative accounting and financial reporting standard-setting body called Governmental Accounting Standards Board (GASB).

Within this audit report, different types of information are presented in different ways to properly reflect the various activities of city government and satisfy the different measurement focuses of each activity. Government-wide statements are presented to reflect operational accountability of the City as a whole. Fund accounting is used to segregate certain resources for specific activities or objectives in accordance with special regulations, restrictions or limitation to facilitate the assessment of stewardship and compliance. Additionally, budgetary comparisons are presented to report fiscal accountability.

ANALYSIS

Highlights of the CAFR are as follows:

- Overall, the City's net position (assets less liabilities) increased by \$38,914,735 to a total net position of \$766,011,026 at the close of the fiscal year ending September 30, 2019. Of this amount, \$87,988,206 is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.
- In the General Fund, total fund balance increased from the prior year balance by \$94,774. Total revenues exceeded budget by \$5,164,398 primarily due to sales and property taxes coupled with a strong economy and the conservative budgeting policy for sales tax which sets budget at the prior year's estimated sales tax amount. Total expenditures in the General Fund came in below budget by \$4,281,883 while the net change to transfers was a positive \$15,672. End of year fund balance of the General Fund is \$36,712,653.
- The City's Water and Sewer Fund net position of \$275,645,106 reflects an increase of \$10,576,573 over the prior year net position balance. The increase is primarily due to a net income before transfers and capital contributions of \$6,118,086 and dedicated infrastructure improvements that continue to remain strong. The dedicated infrastructure improvements are given to the City by developers and the City records contributed capital revenue and places these assets on the City's books. This contributed capital revenue is a non-cash revenue but did increase the City's fixed assets by \$5,990,009. Other net outflows for this fund totaled \$1,531,522.
- The Stormwater Utility Fund ended its second year with a net position of \$17.8M. Operating and other income for the year was \$3,759,735 while non-cash contributions for dedicated stormwater improvements from developers totaled \$4,555,091.

RECOMMENDATION

It is City staff's recommendation that the City Council accept the report as set forth in the caption above.