



Legislation Text

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Staff Report for a City of San Leandro City Council Resolution to Accept the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2020

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council accept the CAFR for the fiscal year ended June 30, 2020.

BACKGROUND

The City's independent auditor, Maze & Associates, completed the audit of the City's financial statements and provided their auditor's reports for the fiscal year that ended June 30, 2020. The Finance Department prepares the City's financial statements in the form required for the Comprehensive Annual Financial Report (CAFR). The Governmental Accounting Standards Board (GASB) recommends the elements for the CAFR format. The CAFR and the related financial statements fully disclose the financial condition of the City, Successor Agency to the Redevelopment Agency, and other reporting units of the City.

In addition to the Comprehensive Annual Financial Report, the following statements for the year ended June 30, 2020 were also prepared as required by the Alameda County Transportation Commission (ACTC).

- Measure B Program Financial Statements
- Measure BB Program Financial Statements
- Measure F Funds-Alameda County Vehicle Registration Fee

The CAFR shows the total of all financial accounting for the fiscal year. The financial reporting provided in the CAFR is in greater detail than the basic financial statements and is made up of three primary sections:

- **Introductory Section:** provides general information about the City including the letter of transmittal, list of principal officers, and an organizational chart.
- **Financial Section:** provides the overall financial information for the City including the report of the independent auditor, management's discussion and analysis (MD&A), the basic financial statements, notes to the basic financial statements, required supplementary information, and other supplementary statements and schedules.
- **Statistical Section:** provides a broad range of operational, economic, and historical data providing context for assessing the City's fiscal condition. This section provides information about general financial trends, revenue and debt capacities, economic and demographic trends, and operating information.

The format of the CAFR is designed to serve the needs of three primary users: the City Council and other governmental oversight bodies, the public, and agencies assessing the City's creditworthiness.

DISCUSSION

Maze & Associates completed audits of the City's financial statements and Measures B and BB special sales tax revenues. Maze found the general purpose financial statements present fairly, in all material ways, the City's financial position as of June 30, 2020 (*Independent Auditor's Report, Opinions*). The audited financial statements include the statement of net position, statement of activities and changes in net position, balance sheets, statements of revenues, expenditures, and changes in fund balance, and statements of cash flows.

Please refer to the Management's Discussion and Analysis section in the CAFR for detailed discussion regarding the City's financial performance and position. Key financial highlights for the years ended June 30, 2020 are as follows:

- The City's Assets and Deferred Outflow of Resources exceeded its Liabilities and Deferred Inflow of Resources by \$180.2 million (Net Position), a \$5.8 million decrease from the prior year. Of the total net position, \$189.0 million was invested in capital assets, \$64.5 million was restricted for other purposes, and (\$73.3) million was unrestricted. Restricted Net Position increased by \$1.4 million while Net Investment in Capital Assets and Unrestricted Net Position saw a decrease of \$2.2 million and \$5.0 million respectively.
- Assets and Deferred Outflow of Resources increased by \$3.7 million from the prior fiscal year, fully offset by an increase in Liabilities and Deferred Inflow of Resources of \$9.5 million. The increase in Liabilities was partly due to the increase in net pension liability of \$13.5 million offset by the decrease in debt repayment of \$6.0 million and decrease in net OPEB liability of \$2.0 million. Unfunded pension liability as of June 30, 2020 was \$188.7 million. The City's total net position decrease of \$5.8 million is comprised of a \$5.6 million decrease in governmental activities and a \$0.2 million decrease in Business-Type activities.
- The City's governmental fund balance increased by \$5.9 million for an ending fund balance of \$129.0 million. Of this balance, \$8.0 million is not spendable because the funds are not available due to advances and loans to other funds. A total of \$64.5 million is Restricted due to the constraints placed on the use of resources, such as capital projects and debt service payments. \$9.8 million is Assigned, which are General Fund encumbrances from the prior year, a one-time licensing fee set aside for projects, and a reserve to fund anticipated Other Post-Employment Benefit costs resulting from the City's contract for fire protection services with Alameda County. Lastly, \$46.7 million is Unassigned and available for spending in the future.
- Impacted by the COVID-19 pandemic, General Fund sales tax revenue decreased by 2.6% or \$1.2 million from the prior fiscal year; property transfer tax decreased by 29.5% or \$1.6 million from the prior fiscal year. The decreases were partially offset by the increases from property tax and other revenues. Due to early implementation of prudent spending strategies, the General Fund ended the fiscal year with positive financial results. General Fund balance increased by \$4.5 million including spendable and nonspendable resources.

- The City's business-type/enterprise activities include the Water Pollution Control Plant, Shoreline, Storm Water Utility, and Environmental Services. The total net position for all four of these funds was \$58.6 million at fiscal year end June 30, 2020, a decrease of \$0.2 million over the prior fiscal year.

Again, Maze found the general purpose financial statements present fairly the City's financial position as of June 30, 2020. This is the highest level opinion that can be rendered by the auditors. This opinion assures that the City's financial statements are in conformity with accounting principles generally accepted in the United States and was rendered on all of the City's funds, including the Successor Agency to the Redevelopment Agency of the City of San Leandro.

The City Council should note that the City was awarded the Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year ended June 30, 2018 by the Government Finance Officers Association of the United States and Canada (GFOA). Because of staffing transitions, the City did not apply for the GFOA award for the fiscal year 2018-19 CAFR. The City is planning to apply for the award for the fiscal year 2019-20 CAFR, and staff believes it continues to meet the stringent standards of the GFOA Awards program.

Staff recommends that the City Council accept the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year end June 30, 2020.

ATTACHMENTS

None

PREPARED BY

Susan Hsieh, Finance Director