

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 9, 2010
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: RECEIPT OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010

ISSUE: Receipt of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010.

RECOMMENDATION: That City Council receive the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

DISCUSSION: Code of Virginia §15.2-2511 requires all local governments to have their 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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010, can be found on the City's website at alexandriava.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 received a positive "clean opinion" from its independent certified public accountant, KPMG, LLP, of its financial statements for the fiscal year ended June 30, 2010 (CAFR, page 19). The auditors found that the City's financial statements "present fairly" the City's financial position and results of operations and that the City has complied with applicable laws and regulations related to federal grants.
- The CAFR includes a Management's Discussion and Analysis section that provides an overview of the City's financial performance (CAFR, page 21).

- On this entity-wide basis, the City government has recorded \$378 million in net assets (CAFR, Exhibit I, page 33), including the investment in capital assets of \$248 million and capital project commitments of \$72 million. The City government's net assets increased by \$42 million in fiscal year (FY) 2010 (CAFR, Exhibit II, page 34). Of this \$42 million, \$1 million was attributable to an addition of intangible assets to comply with a new GASB requirement.
- General Fund revenues in FY 2010 totaled \$530 million (CAFR, Exhibit IV, page 36). Final General Fund expenditures totaled \$479 million and transfers to other City funds totaled \$43 million (CAFR, Exhibit IV, page 36).
- Driven largely by the an increase in the tax rate for Real Estate, FY 2010 General Fund revenues were above the amended expenditure budget by \$4 million (CAFR, Exhibit XIII, page 102). Real and personal property taxes, including penalties and interest, exceeded budget by \$8 million. This was offset by decreases in other categories: \$1.6 million in other local taxes, \$1.3 million in intergovernmental revenues, and \$0.8 million in use of money and property. The amount of \$5.4 million, which was planned to be drawn down from fund balance, did not have to be drawn down, so the total revenue surplus was \$9 million.
- As discussed in recent monthly financial reports to Council, total FY 2010 General Fund expenditures ended the year under authorized levels.
- Total General Fund Balance, which includes all spendable and nonspendable resources, was \$63 million at the end of FY 2010 (CAFR, Exhibit III, page 36). This compares to the Total General Fund Balance of \$53 million at the end of FY 2009. Careful fiscal management and oversight of expenditures during FY 2010 was a major factor for the increase in the Total General Fund Balance.
- The Spendable (Unreserved) Fund Balance of \$58.8 million at the conclusion of FY 2010 (CAFR, page 36) represents 11.1 percent of General Fund revenues. Spendable (Unreserved) Fund Balance is the accumulated total of all prior years' actual General Fund revenues in excess of expenditures – often referred to as “surplus” – that is available for appropriation by City Council (CAFR, page 36). This percentage is an increase over the 9.3 percent at the end of FY 2009 and is above the floor of 10.0 percent.
- The Unassigned (Undesignated) General Fund Balance of \$28.4 million at the conclusion of FY 2010 (CAFR, page 9) represents 5.3 percent of General Fund revenues. Unassigned (Undesignated) General Fund Balance is the accumulated total of all prior years actual General Fund revenues in excess of expenditures, less nonspendable balances, such as inventory and encumbrances, and amounts committed or assigned for specific uses, such as operating and capital budgets, self-insurance, other post employment benefits and ongoing projects (CAFR, page 54). This percentage is an increase over the 4.7 percent at the end of FY 2009 and is close to the City's target of 5.5 percent and above the floor of 4.0 percent.

- As discussed in the work session on October 18 and in the Fund Balance Commitments docket item presented on October 26, the City had \$30.48 million in commitments and assignments at the end of FY 2010 (CAFR, page 53). Funds were committed toward the FY 2011 and FY 2012 operating budgets, the FY 2011- FY 2020 Capital Improvement Program, retiree health and life insurance, self insurance, natural disasters and emergencies, and various other projects.
- The City now includes separate financial information for the Sewer and Housing funds. The Sewer fund had a \$6 million fund balance and the Housing fund had \$9 million in fund balance (CAFR, Schedule 3, page 111).
- The City continues to comply with all debt-related financial targets and limits (CAFR, page 9). These targets and limits will be reworded during the budget deliberations to comply with the new GASB rules, as well as to address planned additional economic development and other possible self-funded debt issuances such as for the proposed Potomac Yard Metrorail Station.
- Federal grant expenditures of \$41 million included \$5.5 million in ARRA stimulus expenditures, which have more (or very) stringent accounting requirements.
- The CAFR cover continues a City practice of showcasing capital projects completed in the fiscal year of the CAFR. This year the project featured is the innovative new Potomac Yard Fire Station and housing project, which opened in FY 2010 and has received numerous awards.
- Staff is confident that the City's FY 2010 CAFR will be awarded the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The City has received this award for each of the last 32 years.

STAFF:

Bruce Johnson, Chief Financial Officer

Laura B. Triggs, Director of Finance

Ray Welch, Comptroller