

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 4, 2009

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, 2009

ISSUE: Receipt of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009.

RECOMMENDATION: That City Council receive the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009.

DISCUSSION: Virginia Code §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 State Code further requires the certified public accountant to 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 which ended June 30, 2009, can be found on the City's web site at alexandriava.gov/financialreports. This report, which follows a format prescribed by the national 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 year ended June 30, 2009, from the auditors (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 \$335 million in net assets (CAFR, Exhibit I, page 34) including the investment in capital assets of \$153 million, and capital project commitments of \$135 million. The City government's net assets decreased by \$7.8 million in fiscal year (FY) 2009 (CAFR, Exhibit II, page 35).
- General Fund revenues in FY 2009 totaled \$526 million (CAFR, Exhibit IV, page 37). Final General Fund expenditures totaled \$490 million and transfers to other City funds totaled \$51 million (CAFR, Exhibit IV, page 37).
- Driven largely by a reduction in other local taxes, FY 2009 General Fund revenues were below the amended budgeted revenues by \$1 million (CAFR, Exhibit XIII, page 106). Real and personal property taxes including penalties and interest, exceeded budget by \$4 million. Other Local Taxes were less than budgeted by \$4 million. As discussed in recent monthly financial reports to Council, total General Fund expenditures overall ended the year under authorized levels.
- The undesignated General Fund balance of \$25 million at the conclusion of FY 2009 (CAFR, page 9) represents 4.7 percent of General Fund revenues. This is slightly below the 5.5 percent target rate, but higher than the 4.0 percent floor. Including a \$4.3 million designation as a FY 2010 Revenue Shortfall Reserve, the 5.5 percent target would be exactly achieved. Undesignated General Fund balance is the accumulated total of all prior years actual General Fund revenues in excess of expenditures, less resources reserved for inventory and encumbrances and designations including operating and capital budgets, self-insurance, other post employment benefits and ongoing projects (CAFR, page 55).
- The designations of \$24.3 million of the unreserved fund balance include the following:
 - \$3.6 million for the FY 2011 General Fund Operating budget;
 - \$4.3 million as a FY 2010 Revenue Shortfall Reserve (as specified during City Council deliberations on the FY 2010 budget);
 - \$6.5 million for retiree health and life insurance benefits (Other Post Employment Benefits) to be drawn down gradually over several years as part of the plan for fully funding our Annual Required Contribution (described more fully in Budget Retreat materials being provided to City Council separately);
 - \$5.0 million for self-insurance (no change from previous years);
 - \$1.7 million for incomplete projects as described in the separate docket item for November 10, 2009, making supplemental appropriations for FY 2010;
 - \$226,958 for the FY 2010 Capital Improvement Program (CIP) as provided by City Council as part of the approved FY 2010-FY 2015 CIP;
 - \$25,000 for the King Street Gardens (no change from prior years);
 - \$250,000 for increased fuel costs (a contingency for FY 2010 unchanged from previous years);
 - \$400,000 for one-time acute human services needs (as specified during City Council deliberations on the FY 2010 budget).

- Total General Fund balance, which includes all reserved, designated and undesignated resources, was \$53 million at the end of FY 2009 (CAFR, Exhibit III, page 36). This compares to the total General Fund balance of \$65 million at the end of FY 2008. This decrease in fund balance was budgeted and reflects an increased investment in capital projects.
- The City now includes separate financial information for the new Sewer and Housing funds. The Sewer fund had a \$10 million fund balance and the Housing fund had \$8 million in fund balance (CAFR, Schedule 3, page 117), which have been previously programmed and budgeted for specific capital projects and operating programs.
- The City continues to comply with all the debt-related financial targets and limits (CAFR, page 9).
- There were no negative audit findings related to \$34 million in federal grant expenditures.
- The CAFR cover continues a City practice of showcasing capital projects completed in the fiscal year of the CAFR. This year the projects are the Monroe Avenue Bridge and the Charles Houston Recreation Center which opened in FY 2009. Also featured are the free trolley system and the water taxi service.
- Staff is confident that the City's FY 2009 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 31 consecutive years.

STAFF:

Bruce Johnson, Chief Financial Officer

Laura B. Triggs, Director of Finance

Ray Welch, Comptroller