



# Comprehensive Annual Financial Report (CAFR)

Fiscal Year Ended June 30, 2018

Audit Committee Meeting  
December 3, 2018



**City of  
Santa Clara**  
The Center of What's Possible

## AGENDA

- Overview
- Key Financial Highlights
- Memorandum on Internal Control and Required Communications (MOIC)



## OVERVIEW

- Government Finance Officers Association (GFOA) Certificate of Achievement in Excellence in Financial Reporting
  - Fiscal Year ended June 30, 2017 Comprehensive Annual Financial Report (CAFR)
  - 26 consecutive years
- Maze & Associates have completed the annual audit of the City's CAFR and Silicon Valley Power Financial Statements
- The CAFR covers the 2017-18 fiscal year (July 1, 2017 to June 30, 2018) with comparative data from the 2016-17 fiscal year
- Unmodified (i.e., “clean”) opinion expressed by auditors
- Reports will be available on the City's Finance Department's webpage <sup>3</sup>



## KEY FINANCIAL HIGHLIGHTS

- MD&A (page 5)
  - Introduces the basic financial statements and provides an analytical overview of the City's financial activities
  - City Assets exceeded Liabilities by \$1.7 billion in fiscal year 2017-18
  - The City's net position increased by \$37 million when compared to the prior year
  - General Fund fund balance equaled \$196 million, increase of \$4 million from the prior year (assets of \$204 million and liabilities of \$8 million)
  - Outstanding long-term debt decreased by \$62 million primarily due to repayment of Stadium Authority debt



## KEY FINANCIAL HIGHLIGHTS

- **Basic Financial Statements (page 25)**
  - Includes the financial activities of the City, the Santa Clara Housing Authority, the Santa Clara Stadium Authority, the City of Santa Clara Sports and Open Space Authority, and the City of Santa Clara Public Facilities Financing Corporation (legally separate but are component units of the City)
- **Statement of Net Position (page 26)**
  - Financial statement that reports the assets, liabilities, and net position of the City
  - Governmental Activities net position equaled \$619 million
  - Business-Type Activities net position equaled \$1.068 billion
  - Total net position of \$1.7 billion (increase of \$37 million)

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## KEY FINANCIAL HIGHLIGHTS

- **Statement of Activities (page 28)**
  - Financial statement that reports the increases and decreases in the City's net position (revenues and expenditures)
- **Fund Financial Statements (page 31)**
  - Major Governmental Funds – General Fund & Santa Clara Housing Successor Fund
  - Detail of Non-Major Governmental Funds begins on page 161

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## KEY FINANCIAL HIGHLIGHTS

- General Fund –Fund Balance (pages 127-131)

| Category     | Amount               | Description                                      |
|--------------|----------------------|--------------------------------------------------|
| Nonspendable | \$ 25 million        | Supplies, Inventory, Long Term Loans Receivable  |
| Restricted   | 14 million           | Grants, Donations, Pension Rate Stabilization    |
| Committed    | 42 million           | Land Sale Reserve, Building Inspection Reserve   |
| Assigned     | 7 million            | Encumbrances                                     |
| Unassigned   | 108 million          | Working Capital Reserve, Capital Project Reserve |
| <b>TOTAL</b> | <b>\$196 million</b> |                                                  |

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## KEY FINANCIAL HIGHLIGHTS

- Fund Financial Statements (Cont.)
  - General Fund revenues and transfers in amounted to \$233 million while expenditures and transfers out were \$229 million
  - General Fund fund balance increased \$4 million from the previous year
- Proprietary Funds Financial Statements (page 41)
  - Major Proprietary Funds – Electric Utility (SVP), Water Utility, Sewer Utility, Water Recycling Utility, and Santa Clara Stadium Authority
  - Non-major proprietary funds detail can be found on page 173

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## KEY FINANCIAL HIGHLIGHTS

- The Notes to the Basic Financial Statements (page 57)
  - An integral part of the CAFR
- Note 13 – PERS
  - Total unfunded pension liability at June 30, 2018 is \$516 million (\$265 million for Miscellaneous and \$251 million for Safety)
- Note 16 – Other Post Employment Benefits (OPEB)
  - Net OPEB liability at June 30, 2018 is \$47 million

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## MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS (MOIC)

- Significant Deficiency Audit Findings
  - Franchise Fees Remittance Error – Staff will be implementing corrective action
  - Refundable Deposit Account Balances – Staff will include funding for a consultant during the fiscal year 2019-20 budget development process to address deposit balances and assess their validity
  - Investment Policy Annual Audit – Staff will revise investment policy in January 2019 to clearly state that this provision will be audited by the City's internal auditor

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## MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS (MOIC)

- **Status of Prior Year Significant Deficiency Audit Finding**
  - Payroll Database Access – Staff implemented corrective action during FY 2017-18. Other enhancements to the City's PeopleSoft system to strengthen segregation of duties between Human Resources and Payroll are being discussed.
- **Status of Prior Year Schedule of Other Matters**
  - Accuracy of Inventory Records – Prior year timing issue, Staff has implemented corrective action
  - Developing Funding Plans for Fund Balance/Net Position Deficits – the City continues to evaluate the deficits and potential courses of action to eliminate/reduce them in the future.

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## MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS (MOIC)

- **Status of Prior Year Schedule of Other Matters (cont.)**
  - Retiree Personnel File Maintenance – a one time occurrence in the prior year
  - Uniform Guidance Procurement Standards – City is in compliance with the requirements
  - Senate Bill 1029 – California Debt and Investment Advisory Accountability Reports – City is in compliance with the requirements

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