

**CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2019**

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**CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL**

For the Year Ended June 30, 2019

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MEMORANDUM ON INTERNAL CONTROL

To the City Council of
the City of Santa Clara, California

We have audited the basic financial statements of the City of Santa Clara for the year ended June 30, 2019, and have issued our report thereon dated [DATE]. Our opinions on the basic financial statements and this report, insofar as they relate to the component unit the Santa Clara Stadium Authority, and the Investments in Joint Ventures of the Northern California Power Agency (NCPA), the Transmission Agency of Northern California (TANC) and the San Jose-Santa Clara Regional Wastewater Facility and Clean Water Financing Authority (SJSC), are based solely on the reports of other auditors. In planning and performing our audit of the basic financial statements of the City as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California
[DATE]

**CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2019-01 Periodic Billing for Reimbursable Grant Projects

The City has a number of projects and programs that are fully or partially funded by federal, state and local grants on a reimbursement basis. As the City incurs related project or program costs, timely grant reimbursement requests should be prepared and filed with the grantor to minimize the time between disbursement and reimbursement. Cash management of grant funded projects is vital to the continuation and successful completion of the projects. If grant funds are not requested timely, the funding source may no longer have available funds for reimbursement or funds may be deprogrammed by the grantor.

During our testing of expenditures and reimbursement requests related to the City's Transportation Development Act (TDA) funded grant projects, we noted one grant reimbursement for \$298,012 filed in August 2018 included project expenditures that dated back to December 2017 and we noted a second project with reimbursable project expenditures incurred in February 2018 through June 2019 totaling \$75 thousand had not been billed to the grantor as of December 2019.

Although the City's TDA-funded projects through the Metropolitan Transportation Commission do not appear to require periodic billing, the City is permitted to submit reimbursement requests as project costs are incurred. And, these TDA-funded projects have a three-year expiration date, after which reimbursement may not be requested, therefore submitting reimbursement requests timely is important.

City staff indicated that reimbursement for project costs were delayed due the public works department being short staffed

The City should develop procedures to ensure grant reimbursement requests are prepared and submitted periodically as costs are incurred, at least quarterly or semi-annually, not only to improve cash flow but to match expenditures with associated revenues in the same period.

Management's Response:

OPEN FOR CITY

2019-02 Documentation of Cash Receipt Reconciliations

The City's daily cash receipt reconciliations are reviewed and approved by an employee that was not involved with the preparation of the reconciliations, and the City's procedure is that the reviewer will initial and date the reconciliation to indicate the review was completed.

We selected three months (September 2018, October 2018 and February 2019) to review documentation of the review and approval of the daily cash receipt reconciliations and of the eighty-eight reconciliations included in that span of time, we noted that six daily reconciliations (five in September and one in October) did not include an indication that the review had been completed .

We understand that staff that reviews the daily cash receipt reconciliations forgot to initial to indicate the reviews had been completed.

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SCHEDULE OF OTHER MATTERS

2019-02 Documentation of Cash Receipt Reconciliations (Continued)

Without proper documentation of a second employee reviewing cash collection reconciliations, there is a risk that errors may go undetected.

City staff should ensure that each daily cash receipt reconciliation is initialed and dated going forward, and the prior daily cash receipt reconciliations throughout the year should be reviewed to ensure that the documentation of the review is in place for all prior reconciliations.

Management's Response:

OPEN FOR CITY

2019-03 Retaining Documentation of Accounts Payable Check Run Review Process

Documentation of review and approval processes should be retained in the City's records, regardless of whether the approval is on hard-copy documents or in an electronic format.

Certain of the City's review and approval processes are completed electronically, including documentation of the review and approval of the accounts payable check run review. After the check run is reviewed, an email is sent to applicable accounts payable staff to indicate the review is complete and the issuance of the checks can commence.

We understand that the approving email is not retained in the accounts payable records. However, we understand the City's e-mail system is set to automatically delete emails after thirty days, which mean any electronic approvals are no longer available as an audit trail.

The City should develop procedures to retain the electronic documentation of the review and approval of the check runs and for any other areas in which the review and approval is being relied upon as part of the City's system of internal control.

Management's Response:

OPEN FOR CITY

**CITY OF SANTA CLARA
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SCHEDULE OF OTHER MATTERS

2019-04 Consider Performing Periodic Claims Audits

The City is self-insured up to \$3 million per claim for general liability claims and up to \$500,000 per claim for worker's compensation claims. The City relies upon two third party administrators (TPA) for day-to-day processing of those claims, including making payments and setting reserves for the estimated outstanding liabilities.

We understand the City has not initiated a claims audit of each program to ensure that each TPA is processing claims properly.

A claims audit helps ensure the City is protected. The primary purpose of a claims audit is to ensure the TPA consistently pays claims accurately and appropriately, as well as ensuring that reserve practices are sufficient. During the audit process, a TPA is examined for its performance according to the contract with the City and industry standards.

The City should consider initiating claims audits periodically, such as every other year, to ensure the TPAs are administering the City's claims appropriately.

Management's Response:

OPEN FOR CITY

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SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2019/20:

GASB 84 – Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

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SCHEDULE OF OTHER MATTERS

GASB 90 – Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2020/21:

GASB 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2021/22:

GASB 91 – Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved:
 - (1) an issuer
 - (2) a third-party obligor, and
 - (3) a debt holder or a debt trustee.

- The issuer and the third-party obligor are not within the same financial reporting entity.

- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.

- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.

- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

**CITY OF SANTA CLARA
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SCHEDULE OF OTHER MATTERS

GASB 91 – Conduit Debt Obligations (Continued)

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

**CITY OF SANTA CLARA
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

2018-01 Franchise Fees Remittance Errors

The City should ensure all rates charged to third parties are accurate, up-to-date and supported with valid agreements, contracts, ordinances and master fee schedules. In addition, customer remittances that include customer-calculated amounts should be recalculated to ensure they are clerically accurate.

We selected forty receipts for testing and noted one receipt for franchise fees from non-exclusive franchise haulers in the amount of \$196,193 was calculated based on 3%, 10% and 16% of the gross billing categories, but the current franchise agreement requires payment based on 3%, 12% and 18% of the gross billing categories. It appears for the quarter ending September 30, 2017, the rates from the franchise agreement for years 2013-2016 were used, rather than the rates in the most current franchise agreement for years 2016-2019. As a result, the City was underpaid in the amount of \$25,439.

We understand the franchise fee payment form was not updated and used the old rate schedule and as a result the City's franchise fee revenue is understated.

In response to our discovery of the issue, the City completed an audit in July 2018 of all ten of its non-exclusive franchise haulers franchise fee payments for fiscal year 2017 and determined that the full amount of underpayment for that year was \$102,594. City staff has not yet completed an audit of the franchisee fee payments for fiscal year 2018, but estimates the underpayment to be \$75 thousand. The underpayments for fiscal year 2017 are expected to be collected from each franchisee with their October 2018 remittances.

The City must ensure the franchise fee payment form is updated when the rates change and develop procedures to ensure customer remittances that include customer-calculated amounts are recalculated to confirm that they are clerically accurate. In addition, the City should complete the audit of fiscal year 2018 remittances to determine the actual amount due from the franchisees and ensure collection of the underpayments is completed.

Current Status:

Implemented - The City has established procedures in the Accounts Receivable function of the Accounting Division to ensure that franchise agreements are monitored for collection and accuracy of payment. An additional audit will review the existing NEF hauler agreements and prepare suggestions for the next iteration of these agreements for the 2019-2022 term. This task will also include the creation of an online reporting form to facilitate the ease and accuracy of payments and continued review for accuracy during the 2019-2022 reporting periods.

**CITY OF SANTA CLARA
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**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

2017-01 Payroll Database Access

Employees processing payroll should not have access to the payroll database to make changes to pay rates, benefits, deductions, additional pays, hour types (i.e. overtime hours versus regular hours), names, etc.

The City has a designated employee in the Human Resources (HR) Department review timecards for accuracy and make adjustments as necessary after the Departments send in the approved electronic timecards to payroll. Once HR completes its review and makes its adjustments to timesheet queries, HR notifies the Payroll Department to proceed with processing the payroll run.

After timecards are approved, the Payroll Department begins processing payroll. Per observation and inquiry, the employees processing payroll are able to make changes to pay rates, benefits, deductions, additional pays, hour types (i.e. overtime hours versus regular hours), names, etc. Some of these adjustments are detailed on "Pay Adjustment Worksheets," which are signed off by separate payroll employees who prepare and review the changes, but we understand these worksheets are not used for all changes made. Once the payroll process is complete, information is sent to the City Clerk for review and to issue the payroll checks/ACH. However, we understand the City Clerk does not perform a detailed review and only looks at "outliers" such as a large increase in overtime pay, overall pay, etc.

We understand the City's payroll process has followed the same work-flow for many years and all payroll employees have the ability to make changes to the pay rates and hour codes in order to process payroll timely.

Without the segregation of duties between those who process payroll and those who have access to making changes to the payroll database, there is an increased risk that, unauthorized pay or benefit increases and other errors may go undetected and not be corrected timely.

The City should remove access to the payroll database from the payroll processors and limit that access to HR. In the event that is not possible, a report of all payroll database changes should be generated during each payroll period and reviewed and approved by HR, the City Clerk's office or another appropriate person not involved with making the changes or processing payroll prior to the generation of the payroll checks.

Current Status:

Implemented - As recommended, beginning in the third quarter of fiscal year 2018, staff from the Human Resources Department is reviewing and approving all payroll database changes each and every pay period for validity. Additionally, the City continues to look at realigning duties and implementing technology enhancements to strengthen controls.

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**CITY OF SANTA CLARA
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**STATUS OF PRIOR YEAR
OTHER MATTERS**

2018-02 Analyze Refundable Deposit Account Balances

To ensure that the deposits payable balance reported in the City’s financial statements is accurate, deposits payable detail should be reviewed on a regular basis.

At June 30, 2018, the City reported refundable deposits of \$11.1 million in the Deposits Agency Fund and we selected six individual deposits for testing to agree to supporting documentation and noted the following:

- One deposit in the amount of \$993,304 was titled “Unidentified Balance Carried Forward from FMIS”
- One deposit in the amount of \$583,736 was supported only by the original general ledger transaction detail from November 2005.

We understand City staff has been working to break out the “unidentified” deposits by source and determine that other old outstanding deposits are still valid.

City staff should continue to work to identify all deposits payable balances by source and determine that deposits payable should still be outstanding and not refunded to the depositor. After that project is complete, the deposits payable detail should be reviewed on a regular basis to ensure all balances are active and should be outstanding, at least annually.

Current Status:

The City will include funding for a consultant during the fiscal year 2019-20 budget development process to address deposit balances and assess their validity. The more recent deposit activity is reviewed by staff, but the City will document this review as part of its year end close process going forward.

2018-03 Investment Policy – Annual Audit

Section M, Internal Controls, of the City’s March 2018 Investment Policy includes the following provision:

Annual Audit - On an annual basis, the City’s financial statements and business practices are audited by an external auditor. Included in the auditor’s annual review shall be a review of the City’s investment and cash management accounting and operational practices.

As the City’s external auditors, we cannot be part of the City’s internal control structure. Although we have been engaged to audit the City’s financial statements, we have not been requested to perform a review specific to the investment and cash management accounting and operational practices. We would be happy to perform any procedures the City specifies regarding the investments as a separate engagement. Otherwise, the provision should be revised, such as requiring the review be performed by the City’s Internal Auditor, or removed from the Investment Policy.

Management’s Response:

Implemented - The City engaged the external auditors to perform agreed-upon procedures to test the City’s compliance with certain provisions of the Investment Policy.

**CITY OF SANTA CLARA
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**STATUS OF PRIOR YEAR
OTHER MATTERS**

2017-02 Developing Funding Plans for Fund Balance/Net Position Deficits

At June 30, 2017, three of the City's funds reported unrestricted net position deficits. The City should develop funding plans for the deficits as noted below:

A. Cemetery Enterprise Fund Net Position Deficit

The Cemetery Enterprise Fund unrestricted net position deficit grew to \$5.3 million at June 30, 2017. The fund records the receipt and use of monies for services provided at the Mission City Memorial Park. The Fund received a long-term advance from the General Fund that grew from \$4.9 million as of June 30, 2016 to \$5.2 million as of June 30, 2017, that is to be repaid when funds become available. The fiscal year 2018 budget does indicate revenues that equal expenses for the Fund, but does not provide for funds to be available to reduce the deficit or for repayment of any portion of the advance.

The City should perform a review of rates and costs in the Fund to determine if costs can be reduced or rates adjusted to work to eliminate the net position deficit and provide funds for repayment of the interfund borrowing. If the advance is not expected to be repaid within a reasonable period of time, Generally Accepted Accounting Principles require that the interfund balance be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

B. Workers' Compensation Insurance Claims Internal Service Fund Net Position Deficit

The Workers' Compensation Insurance Claims Internal Service Fund reports a net position deficit of \$16.8 million as of June 30, 2017, which was an improvement of \$2.1 million from the prior fiscal year. The majority of the decrease in the deficit is due to the change in uninsured claims payable which decreased \$1.5 million during the fiscal year. The City must develop plans for funding the deficit to ensure cash is available when the claims come due.

Update for June 30, 2018:

The net position deficits for the Cemetery Enterprise Fund and the Workers' Compensation Insurance Claims Internal Service Fund increased to \$3.2 million and \$16.7 million, respectively as of June 30, 2018.

Update for June 30, 2019:

The net position deficits for the Cemetery Enterprise Fund increased to \$3.9 million and the Workers' Compensation Insurance Claims Internal Service Fund decreased to \$16.1 million as of June 30, 2019. In addition, the General Fund's advance to the Cemetery Enterprise Fund increased to \$5.7 million.

Current Status:

The City continues to evaluate the unrestricted net position deficits and potential courses of action to eliminate or reduce the deficits in the future by implementing the full cost recovery in the Fee schedule to expedite the repayment of the loan.

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