



# Comprehensive Annual Financial Report (CAFR)

**Fiscal Year Ended June 30, 2019**

**Audit Committee Meeting  
December 9, 2019**



**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, 2018 Comprehensive Annual Financial Report (CAFR)
  - 27 consecutive years
- **Maze & Associates have completed the annual audit of the City's CAFR and Silicon Valley Power Financial Statements**
- **The CAFR covers the 2018-19 fiscal year (July 1, 2018 to June 30, 2019) with comparative data from the 2017-18 fiscal year**
- **Unmodified (i.e., "clean") opinion expressed by auditors**
- **Reports will be available on the City's Finance Department's webpage** 3



## 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 \$1.8 billion in fiscal year 2018-19
  - The City's net position increased by \$143 million when compared to the prior year
  - General Fund fund balance equaled \$229 million, increase of \$33million from the prior year (assets of \$238 million and liabilities of \$9 million)
  - Outstanding long-term debt decreased by \$57 million primarily due to repayment of Stadium Authority debt



## KEY FINANCIAL HIGHLIGHTS

- **Basic Financial Statements (page 27)**
  - 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 28)**
  - Financial statement that reports the assets, liabilities, and net position of the City
  - Governmental Activities net position equaled \$660 million
  - Business-Type Activities net position equaled \$1.169 billion
  - Total net position of \$1.8 billion (increase of \$143 million)

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## KEY FINANCIAL HIGHLIGHTS

- **Statement of Activities (page 30)**
  - Financial statement that reports the increases and decreases in the City's net position (revenues and expenditures)
- **Fund Financial Statements (page 33)**
  - Major Governmental Funds – General Fund & Santa Clara Housing Successor Fund
  - Detail of Non-Major Governmental Funds begins on page 165

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## KEY FINANCIAL HIGHLIGHTS

- **General Fund –Fund Balance (pages 129-134)**

Category	Amount	Description
Nonspendable	\$ 24 million	Supplies, Inventory, Long Term Loans Receivable
Restricted	18 million	Grants, Donations, Pension Rate Stabilization
Committed	31 million	Land Sale Reserve, Building Inspection Reserve
Assigned	8 million	Encumbrances
Unassigned	148 million	Budget Stabilization Reserve, Capital Project Reserve
<b>TOTAL</b>	<b>\$229 million</b>	

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## KEY FINANCIAL HIGHLIGHTS

- **Fund Financial Statements (Cont.)**

- General Fund revenues and transfers in amounted to \$285 million while expenditures and transfers out were \$252 million
- General Fund fund balance increased \$33 million from the previous year

- **Proprietary Funds Financial Statements (page 43)**

- 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 177

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## KEY FINANCIAL HIGHLIGHTS

- **The Notes to the Basic Financial Statements (page 59)**
  - An integral part of the CAFR
- **Note 13 – PERS**
  - Total unfunded pension liability at June 30, 2019 is \$524 million (\$269 million for Miscellaneous and \$255 million for Safety)
- **Note 16 – Other Post Employment Benefits (OPEB)**
  - Net OPEB liability at June 30, 2019 is \$38 million

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

- **Current Year - Other Matters**
  - Periodic Billing for Reimbursable Grant Projects – Finance staff will centralize reimbursement requests for grants Citywide
  - Documentation of Daily Cash Receipt Reconciliations – Staff will focus on ensuring all daily forms are initialed after review.
  - Accounts Payable Check Run Review Process – Emails are used for evidence of review and approval of accounts payable. Staff will ensure these emails are maintained beyond the 30 day City email policy by saving the emails permanently in a network drive.

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

- **Current Year - Other Matters (cont.)**
  - Periodic Claims Audit – Staff will consider engaging in a periodic audit for both special liability and workers compensation claims.

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

- **Status of Prior Year Significant Deficiency Audit Finding**
  - Franchise Fees Remittance Errors – Prior year finding has been corrected through City audit of franchisees and other procedures to ensure that franchise agreements are monitored for collection an accuracy of payment.
  - 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 prioritized. An RFP for a consultant to assist in implementing these improvements will be issued in FY 19/20.

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

- **Status of Prior Year Schedule of Other Matters**
  - Analyze Refundable Deposit Account Balances – Staff will work to bring in a consultant to address the outstanding deposit balances and assess their validity
  - Investment Policy Annual Audit – Implemented. The City engaged external auditors to perform agreed-upon procedures to test compliance.
  - 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.