

2018 Comprehensive Annual Financial Report (CAFR)

City of Petersburg VIRGINIA

Presented by:

Department of Finance



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The purpose of today's presentation is to provide City Council an overview of the results pertaining to the preparation and audit of FY 2018 Comprehensive Annual Financial Report (CAFR).

The FY 2018 or fiscal year 2018 CAFR covers the period of July 1, 2017 to June 30, 2018 and represents the financial position and results of the City as of June 30, 2018.



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At the conclusion of the CAFR preparation and audit process, the City's external auditor renders an opinion on the whether the City's financial statements fairly present the results of the City for the period reported.

The types of opinions that can be rendered are as follows:

- Unmodified
- Qualified
- Adverse
- Disclaimer

The last 3 opinions are all considered modified opinions.



Audit Opinion

At the conclusion of the 2018 CAFR preparation and audit process, the City's external auditor rendered the following opinion:

| <u>Business Unit</u> | <u>Auditor Opinion</u> |
|--------------------------------------|------------------------|
| Governmental Activities | Unmodified |
| Business-Type Activities | Qualified |
| Discretely Presented Component Units | Unmodified |
| General Fund | Unmodified |
| Capital Projects Fund | Unmodified |
| Public Utility Fund | Qualified |
| Mass Transit Fund | Unmodified |
| Golf Course Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

The City of Petersburg received an overall Qualified opinion on the audit of its financial statements.

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Unmodified Opinion

An unqualified opinion or “clean” opinion is an independent auditor's judgment that the financial statements are fairly and appropriately presented, without any identified exceptions, and in compliance with generally accepted accounting principles (GAAP). An unqualified opinion is the most common type of auditor's opinion.

The City received an unqualified opinion on each unit assessed except for the Public Utility Fund (which is a Business-Type Activity). This was attributed to inventory tracking for Public Utilities.

Qualified Opinion

A qualified or modified opinion is where the auditor suggests future amendments or procedures to follow to avoid misstatements in the financial systems and to make the financial statements transparent and clear.



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The CAFR presents up to three (3) different types of financial statements as part of its “**Basic**” **Financial Statements**. The types are as follows:

- Governmentwide
 - Statement of Net Position
 - Statement of Activities

Fund Financial Statements

- Governmental Funds
 - Balance Sheet
 - Statement of Revenues, Expenditures and Changes in Fund Balance
- Proprietary Funds
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Change in Net Position
 - Statement of Cash Flows
- Fiduciary Funds (*excluded from highlight*)
 - Statement of Fiduciary Net Position (Hospital Trust / Agency Fund)
Funds not available and held in a trust or agent capacity.



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Statement of Net Position

Government-wide includes both the City’s Governmental & Business-Type Activities

Statement of Net Position (Exhibit 1, p. 17) is a snapshot of City’s assets and liabilities under the accrual basis of accounting at the end of each fiscal year. The Statement of Net Position identifies the type and amounts of assets available to support City operations, how much the City owes to vendors and bond holders, and the City’s net position delineated based upon its availability to be used for future expenditures. This statement is also known as the Balance Sheet (Exhibit 3, p. 23) for the Governmental Funds.

Condensed Statement of Net Position

| as of June 30, | 2018 | 2017 | \$ Change | % Change |
|--|-------------|-------------|-------------|----------|
| Current Assets | 51,230,705 | 45,363,380 | 5,867,325 | 13% |
| Capital Assets | 57,158,196 | 56,885,201 | 272,995 | 0% |
| Deferred Outflows - Pension, OPEB, Refunding | 4,127,718 | 5,378,862 | (1,251,144) | (23%) |
| | 112,516,619 | 107,627,443 | 4,889,176 | 5% |
| Current Liabilities | 18,290,295 | 23,017,062 | (4,726,767) | (21%) |
| Noncurrent Liabilities | 69,625,625 | 65,878,514 | 3,747,111 | 6% |
| Deferred Inflows - Property Tax, OPEB, Pension | 6,604,516 | 2,754,298 | 3,850,218 | 140% |
| | 94,520,436 | 91,649,874 | 2,870,562 | 3% |
| Total Net Position | 17,996,183 | 15,977,569 | 2,018,614 | 13% |



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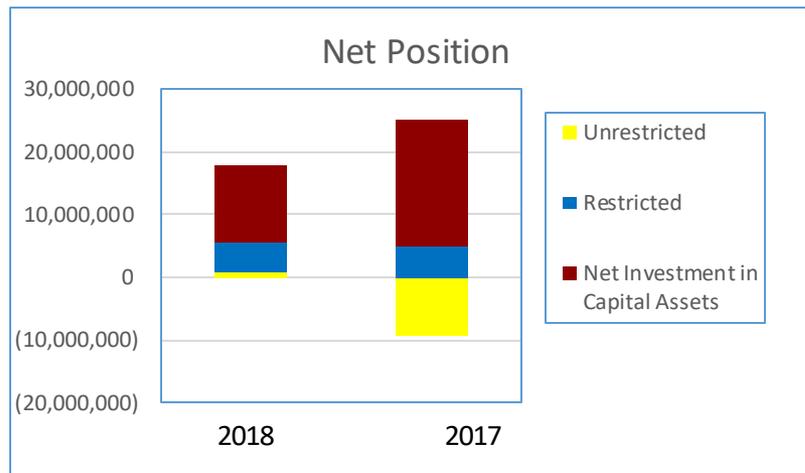
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Statement of Net Position (continued)

Net position is divided into three major categories:

- Net investment in capital assets (property, plant, equipment owed by the City)
- Restricted net assets (nonexpendable and expendable)
- Unrestricted net position (available for use for any lawful purpose)



Total Net Position

| as of June 30, | 2018 | 2017 | \$ Change | % Change |
|----------------------------------|-------------------|-------------------|------------------|------------|
| Net Investment in Capital Assets | 12,518,336 | 20,234,034 | (7,715,698) | (38%) |
| Restricted | 4,590,712 | 5,064,216 | (473,504) | (9%) |
| Unrestricted | 887,135 | (9,320,681) | 10,207,816 | 110% |
| Total Net Position | 17,996,183 | 15,977,569 | 2,018,614 | 13% |



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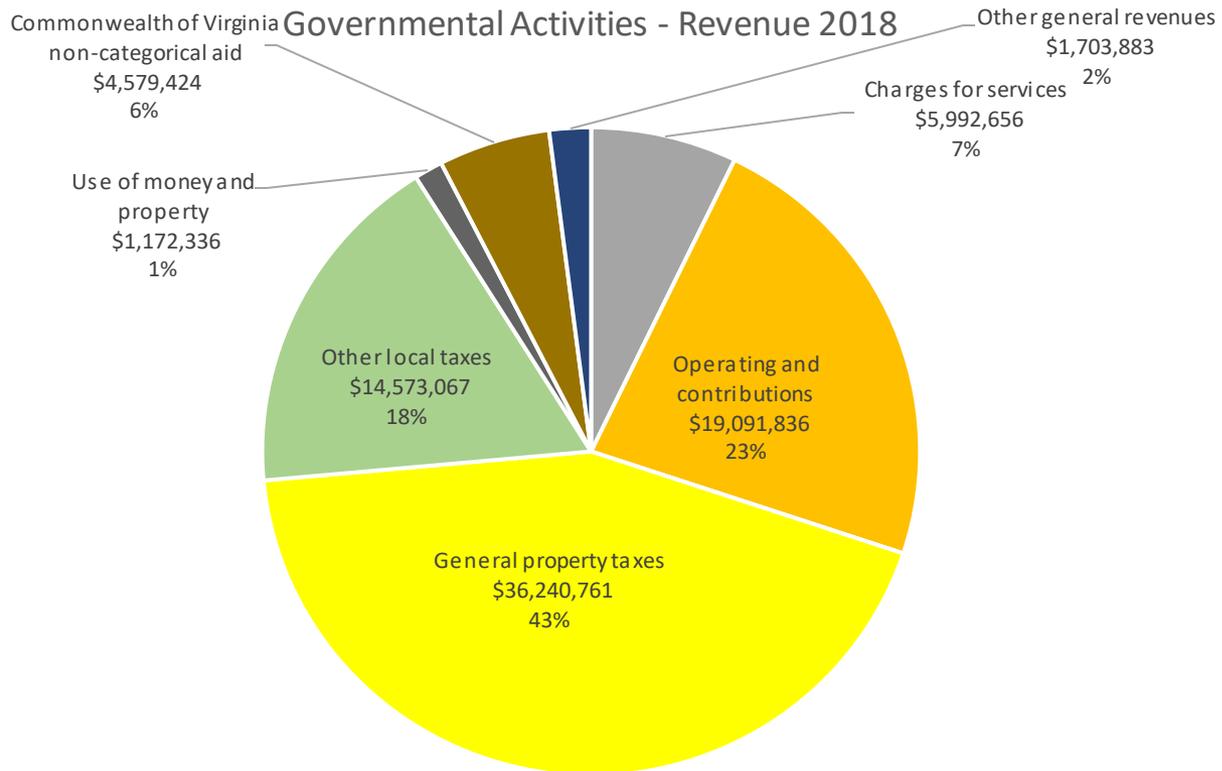
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Statement of Activities

Statement of Activities (Exhibit 2, p. 18) reflects the City’s revenue and expenses for its Governmental and Business-Type Activities. Below is a breakout of the major sources of revenue for the City’s Governmental Activities.





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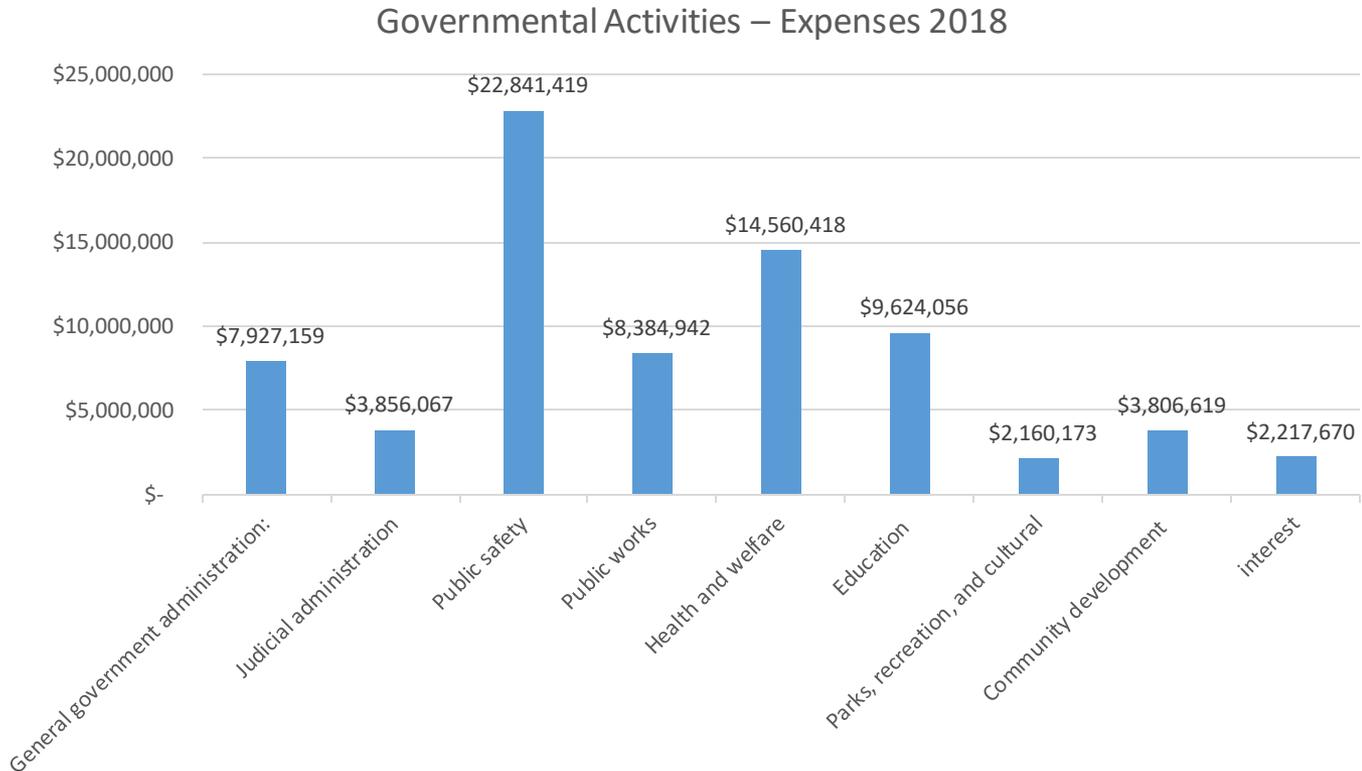
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Statement of Activities (continued)

The below reflects the City's expenses for each of its major functions within its Governmental Activities.





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Balance Sheet

Governmental Funds (Exhibit 3, p. 23) is comprised of three (3) funds/fund groups:

- General Fund Primary or chief operating fund of the City
- Capital Projects Fund Accounts for all of constructions projects for general public improvements excluding those of the business type activities
- Non-Major Funds Comprised of the Special Revenue and Permanent Funds and accounts for and reports on the use of fund in accordance with their specific purposes

Condensed Balance Sheet

| as of June 30, 2018 | General Fund | Capital Projects | Non-Major Funds | Total |
|------------------------------|--------------|------------------|-----------------|------------|
| Assets | 36,263,290 | 10,503,595 | 7,033,939 | 53,800,824 |
| Liabilities | 12,020,232 | 3,116,408 | 675,412 | 15,812,052 |
| Deferred Inflow of Resources | 9,398,296 | | | 9,398,296 |
| | 21,418,528 | 3,116,408 | 675,412 | 0 |
| Fund Balance | 14,844,762 | 7,387,187 | 6,358,527 | 28,590,476 |



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Balance Sheet (continued)

| | Total Fund Balance | | | |
|---------------------|--------------------|------------------|-----------------|------------|
| as of June 30, 2018 | General Fund | Capital Projects | Non-Major Funds | Total |
| Nonspendable | 4,841,117 | | 1,920,519 | 6,761,636 |
| Restricted | 7,200,123 | 7,387,187 | 2,670,193 | 17,257,503 |
| Committed | | | 1,767,815 | 1,767,815 |
| Unassigned | <u>2,803,522</u> | | | 2,803,522 |
| Total Fund Balance | 14,844,762 | 7,387,187 | 6,358,527 | 28,590,476 |

Highlight:

The “Unassigned” fund balance for the General Fund increased from (143,922) or a deficit in FY 2017 to **\$2,803,522** in FY 2018 or by more than 2000%



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Statement of Revenues, Expenditures, and Changes in Fund Balance

The **Statement of Revenues, Expenditures, and Changes in Fund Balance** (Exhibit 4, p. 24) shows the City’s revenues by source, expenditures categorized by the City’s major functions or programs, and other financing sources (uses) and transfers for its Governmental Funds. This statement is also known as the **Statement of Revenues, Expenses, and Changes in Net Position** (Exhibit 7, p.27) for Proprietary Funds and the **Statement of Activities** (Exhibit 2, p. 18) for the Governmentwide financials.

Condensed Statement of Revenue, Expenditures, and Changes in Fund Balance

| as of June 30, 2018 | General | Capital Projects | Non-Major Funds | Total |
|--|------------------|------------------|-----------------|--------------|
| Revenue | 74,233,672 | 417,119 | 5,841,157 | 80,491,948 |
| Expenditures | 68,319,064 | 18,084,485 | 8,077,740 | 94,481,289 |
| Excess (deficiency) of revenues over (under) Expenditures | 5,914,608 | (17,667,366) | (2,236,583) | (13,989,341) |
| Other Financing Sources (Uses) - Transfers In (Out) | (1,431,689) | 18,744,585 | 2,298,949 | 19,611,845 |
| Payment to Bond Escrow Agent, Issuance (Discount) of/on Debt | | | | |
| Changes in Fund Balance | 4,482,919 | 1,077,219 | 62,366 | 5,622,504 |
| Fund Balance at Beginning of Year, as restated | 10,361,843 | 6,309,968 | 6,296,161 | 22,967,972 |
| Fund Balance at End of Year | 14,844,762 | 7,387,187 | 6,358,527 | 28,590,476 |

Highlight:

Revenues exceeded Expenditures in the General Fund by **\$4,482,919** or by more than 6.5%



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Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds includes information on the City's Public Utility, Mass Transit and Golf Course operations.

The **Statement of Revenues, Expenses, and Changes in Net Position** (Exhibit 7, p. 27) shows the City's revenues and expenses categorized between operating, non-operating and other related activities for its Proprietary Funds or Business-Type Activities.

Condensed Statement of Revenue, Expenses, and Changes in Net Position

| as of June 30, 2018 | Public Utility | Mass Transit | Golf Course | Total |
|--|----------------|--------------|-------------|-------------|
| Operating Revenues | 13,055,145 | 749,775 | 660,498 | 14,465,418 |
| Operating Expenses | 11,881,873 | 4,606,470 | 835,713 | 17,324,056 |
| Operating Income (Loss) | 1,173,272 | (3,856,695) | (175,215) | (2,858,638) |
| Non-Operating Revenues (Expenses) | (552,132) | 1,486,068 | (200,674) | 733,262 |
| State/Federal Grants, Interest Income (Expense) | | | | |
| Bond Issuance Costs | | | | |
| Income (Loss) before contributions and transfers | 621,140 | (2,370,627) | (375,889) | (2,125,376) |
| Transfers In | | 980,248 | 427,772 | 1,408,020 |
| Changes in Net Position | 621,140 | (1,390,379) | 51,883 | (717,356) |
| Fund Balance at Beginning of Year, as restated | 16,066,276 | 18,174,920 | (1,682,584) | 32,558,612 |
| Fund Balance at End of Year | 16,687,416 | 16,784,541 | (1,630,701) | 31,841,256 |



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Statement of Cash Flows



Statement of Cash Flows (Exhibit 8, p.28) provides information about City's sources (receipts) and uses (payments) of cash during the fiscal year. It classifies sources and uses of cash into four categories, assists in determining whether the City has the ability to generate future net cash flows to meet its obligations as they come due, and assists in determining the need for external financing. Statement of Cash Flows only exists for the Proprietary Funds or the Business-Like Activities.

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Long-Term Obligations

Of \$99,782,320 in total debt obligation or liability (Note 7, p. 55, 60) , **\$52,772,784** was in General Obligation Bonds backed by the full faith and credit of the City. Of the total debt obligation or liability, \$11,558,204 is due and payable within one (1) year. The breakdown across Governmental and Business-Type Activities (i.e., Public Utility, Mass Transit, and Golf Course operations) is below.

Condensed Note 7 - Long Term Obligations

| as of June 30, 2018 | Governmental | Business -Type Activities | | | Total |
|--|-------------------|---------------------------|------------------|------------------|-------------------|
| | | Public Utility | Mass Transit | Golf Course | |
| General Obligation (GO) Bonds | 41,027,152 | 7,890,000 | | 3,855,632 | 52,772,784 |
| Stormwater Revenue Bonds | 2,230,000 | | | | |
| School Literary Fund Loans | 200,000 | | | | |
| School Qualified Zone Academy Bonds (QZAB) | 6,210,695 | | | | |
| Capital Leases | 626,789 | 4,476,931 | | | |
| Premium (Discount) on Bonds Payable | (259,580) | 588,625 | | | |
| Net Pension Liability | 15,502,532 | 680,629 | 965,301 | 188,435 | |
| Net OPEB Liability | 6,793,879 | 145,494 | 206,346 | 40,280 | |
| Compensated Absences | 1,783,255 | 43,725 | 62,640 | 23,560 | |
| Total Long Term Obligations | 74,114,722 | 13,825,404 | 1,234,287 | 4,107,907 | |
| Short-term Anticipation Notes | 6,500,000 | | | | |
| Total Governmental Activities Obligations | 80,614,722 | 13,825,404 | 1,234,287 | 4,107,907 | 99,782,320 |
| | | | | | |
| Due Within 1 Year | 10,989,097 | 454,214 | 6,264 | 108,629 | 11,558,204 |



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Budgetary Data

General Fund Budget and Actual information (Exhibit 11, p. 92) is presented for every source of revenue category of expenditure by major function or program in the General Fund inclusive of Debt Service and Transfers.

Pension Data

Net Pension Liability, Employer Contributions, and Other Post Employment Benefits (OPEB) information is presented in the supplementary information section.

Combining Statements, Non-Major Funds, Supporting Schedules

This section includes combining statements for non-major funds. Non-major funds include both Special Revenue Funds (SRF) such as federal and state project funds, community development act funds (CDBG) and stormwater funds, as well as, Permanent Funds such as Blandford Cemetery Perpetual Care funds, Clara J. McKenney Memorial funds, and Library Endowment funds. It also includes Agency Funds such as Special Welfare, Jail Inmate, Drug Seizure, and Industrial Development Authority funds. This section also includes Budget and Actual supporting schedules.



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- This concludes the overview, highlights & operating results of the City's FY 2018 CAFR.

- Next
 - Robinson, Farmer, Cox Associates, the City's auditor, will deliver a presentation report on the FY 2018 CAFR and audit results to City Council.