

# 2019 Comprehensive Annual Financial Report (CAFR)

# *City of Petersburg* VIRGINIA

Presented by:

Department of Finance



Aretha Ferrell-Benavides, City Manager



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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 2019 Comprehensive Annual Financial Report (CAFR).

The FY 2019 or fiscal year 2019 CAFR covers the period of July 1, 2018 to June 30, 2019 and represents the financial position and results of the City as of June 30, 2019.



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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.



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At the conclusion of the 2019 CAFR preparation and audit process, the City’s external auditor rendered the following opinion (p.2):



<u>Business Unit</u>	<u>2019 Auditor Opinion</u>	<u>2018 Auditor Opinion</u>
Governmental Activities	Unmodified	Unmodified
Business-Type Activities	Unmodified	Qualified
Discretely Presented Component Units	Unmodified	Unmodified
General Fund	Unmodified	Unmodified
Capital Projects Fund	Unmodified	Unmodified
Public Utility Fund	Unmodified	Qualified
Mass Transit Fund	Unmodified	Unmodified
Golf Course Fund	Unmodified	Unmodified
Aggregate Remaining Fund Information	Unmodified	Unmodified

The City of Petersburg received an overall Unmodified 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 unmodified opinion on each unit assessed including the Public Utility Fund (which is a Business-Type Activity). The previous year's inventory tracking concern for Public Utilities has been resolved.

## 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. None of the areas audited received this opinion.



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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,	2019	2018	\$ Change	% Change
Current Assets	51,850,513	51,230,705	619,808	1%
Capital Assets	55,705,056	57,158,196	(1,453,140)	(3%)
Deferred Outflows - Pension, OPEB, Refunding	4,652,619	4,127,718	524,901	13%
	112,208,188	112,516,619	(308,431)	(0%)
Current Liabilities	14,706,419	18,290,295	(3,583,876)	(20%)
Noncurrent Liabilities	62,314,456	69,625,625	(7,311,169)	(11%)
Deferred Inflows - Property Tax, OPEB, Pension	5,386,618	6,604,516	(1,217,898)	(18%)
	82,407,493	94,520,436	(12,112,943)	(13%)
<b>Total Net Position</b>	<b>29,800,695</b>	<b>17,996,183</b>	<b>11,804,512</b>	<b>66%</b>



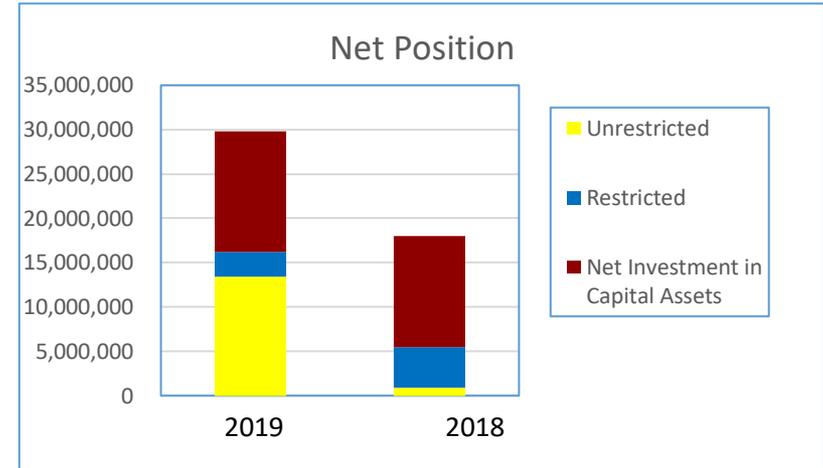
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## Statement of Net Position (continued)

**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,	2019	2018	\$ Change	% Change
Net Investment in Capital Assets	13,583,894	12,518,336	1,065,558	9%
Restricted	2,811,860	4,590,712	(1,778,852)	(39%)
Unrestricted	13,404,941	887,135	12,517,806	1411%
<b>Total Net Position</b>	<b>29,800,695</b>	<b>17,996,183</b>	<b>11,804,512</b>	<b>66%</b>

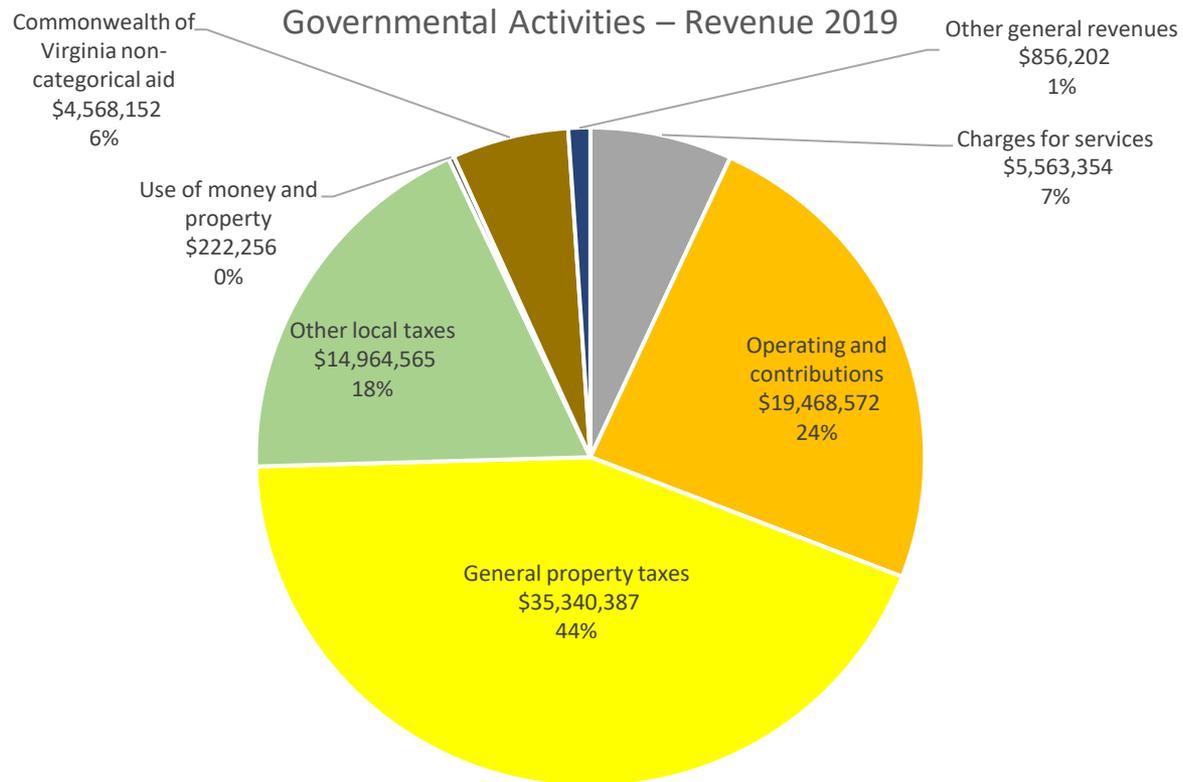


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## Statement of Activities

**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.



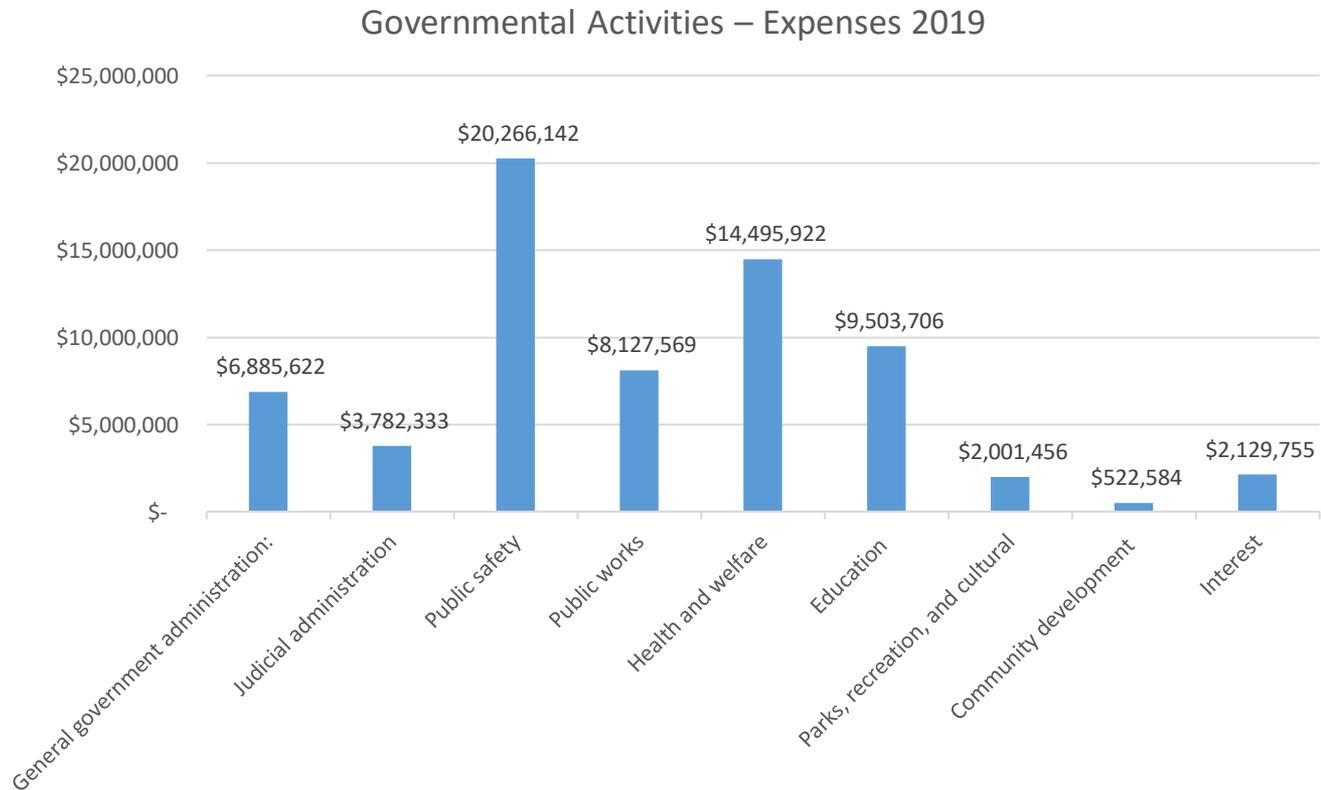


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## Statement of Activities (continued)

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, 2019	General Fund	Capital Projects	Non-Major Funds	Total
Assets	39,952,844	9,347,867	5,994,041	55,294,752
Liabilities	11,725,189	3,306,039	550,045	15,581,273
Deferred Inflow of Resources	9,177,448			9,177,448
	20,902,637	3,306,039	550,045	24,758,721
Fund Balance	19,050,207	6,041,828	5,443,996	30,536,031



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## Balance Sheet (continued)

	Total Fund Balance			
as of June 30, 2019	General Fund	Capital Projects	Non-Major Funds	Total
Nonspendable	5,535,298	4,499,198	1,974,746	12,009,242
Restricted	5,454,572	1,542,630	839,568	7,836,770
Committed			2,629,682	2,629,682
Unassigned	<u>8,060,337</u>			8,060,337
Total Fund Balance	19,050,207	6,041,828	5,443,996	30,536,031

### Highlight:

The “Unassigned” fund balance for the General Fund increased from \$2,803,522 in FY 2018 to \$8,060,337 in FY 2019 or by 188%



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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, 2019	General	Capital Projects	Non-Major Funds	Total
Revenue	76,063,721	185,350	5,290,121	81,539,192
Expenditures	70,847,583	937,258	6,344,909	78,129,750
Excess (deficiency) of revenues over (under) Expenditures	<b>5,216,138</b>	(751,908)	(1,054,788)	3,409,442
Other Financing Sources (Uses) - Transfers In (Out)	(1,413,355)	0	140,257	(1,273,098)
Payment to Bond Escrow Agent, Issuance (Discount) of/on Debt				
Changes in Fund Balance	<b>3,802,783</b>	(751,908)	(914,531)	2,136,344
Fund Balance at Beginning of Year, as restated	15,247,424	6,793,736	6,358,527	28,399,687
Fund Balance at End of Year	19,050,207	6,041,828	5,443,996	30,536,031

### Highlight:

Revenues exceeded Expenditures in the General Fund by **\$5,216,138** or by 7%



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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, 2019	Public Utility	Mass Transit	Golf Course	Total
Operating Revenues	14,620,549	674,059	657,094	15,951,702
Operating Expenses	11,691,077	4,561,067	896,847	17,148,991
Operating Income (Loss)	2,929,472	(3,887,008)	(239,753)	(1,197,289)
Non-Operating Revenues (Expenses)	(437,929)	1,561,230	(183,378)	939,923
State/Federal Grants, Interest Income (Expense)				
Bond Issuance Costs				
Income (Loss) before contributions and transfers	2,491,543	(2,325,778)	(423,131)	(257,366)
Transfers In		980,248	292,850	1,273,098
Changes in Net Position	2,491,543	(1,345,530)	(130,281)	1,015,732
Fund Balance at Beginning of Year, as restated	16,687,416	16,784,541	(1,630,701)	31,841,256
Fund Balance at End of Year	19,178,959	15,439,011	(1,760,982)	32,856,988



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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 \$89,065,595 in total debt obligation or liability (Note 7, p. 55, 60) , **\$50,976,853** was in General Obligation Bonds backed by the full faith and credit of the City. Of the total debt obligation or liability, \$9,353,776 was 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, 2019	Business -Type Activities				Total
	Governmental	Public Utility	Mass Transit	Golf Course	
<b>General Obligation (GO) Bonds</b>	<b>39,532,494</b>	<b>7,695,000</b>		<b>3,749,359</b>	<b>50,976,853</b>
Stormwater Revenue Bonds	2,175,000				
School Literary Fund Loans	150,000				
School Qualified Zone Academy Bonds (QZAB)	3,868,528				
Capital Leases	247,460	4,246,701			
Premium (Discount) on Bonds Payable	(249,197)	564,013			
Net Pension Liability	10,098,119	443,352	628,783	122,744	
Net OPEB Liability	6,980,773	145,534	206,401	40,292	
Compensated Absences	1,752,669	59,291	80,526	27,753	
<b>Total Long Term Obligations</b>	<b>64,555,846</b>	<b>13,153,891</b>	<b>915,710</b>	<b>3,940,148</b>	
Short-term Anticipation Notes	6,500,000				
<b>Total Obligations</b>	<b>71,055,846</b>	<b>13,153,891</b>	<b>915,710</b>	<b>3,940,148</b>	<b>89,065,595</b>
Due Within 1 Year	8,741,390	489,135	8,053	115,198	<b>9,353,776</b>



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## Budgetary Data

**General Fund Budget and Actual** information (Exhibit 11, p. 108) 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, and operating results of the City's FY 2019 CAFR.
  
- Next
  - Robinson, Farmer, Cox Associates, the City's auditor, will deliver a presentation on the FY 2019 CAFR and results of the audit to City Council.