



February 15, 2022

City Council Meeting
Fiscal Year 2020-21 ACFR

FY 2020-21 ACFR

- Each year, the City is required to undergo an annual financial audit performed by an independent Certified Public Accounting (CPA) firm. The audit includes:
 - A review of the City's internal controls, procedures, and adherence to policies.
 - A review of the City's accounting records and financial transactions.
 - From this review, the auditors and City staff prepare the ACFR.
- Based on the Fiscal Year 2020-21 audit, the City received an unmodified opinion ("clean audit"), which is the best outcome possible. This means:
 - The financial statements conform with generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting requirements.
 - The financial statements are fairly presented, in all material respects.
- No audit findings were reported by the auditors for the Fiscal Year 2020-21 audit.

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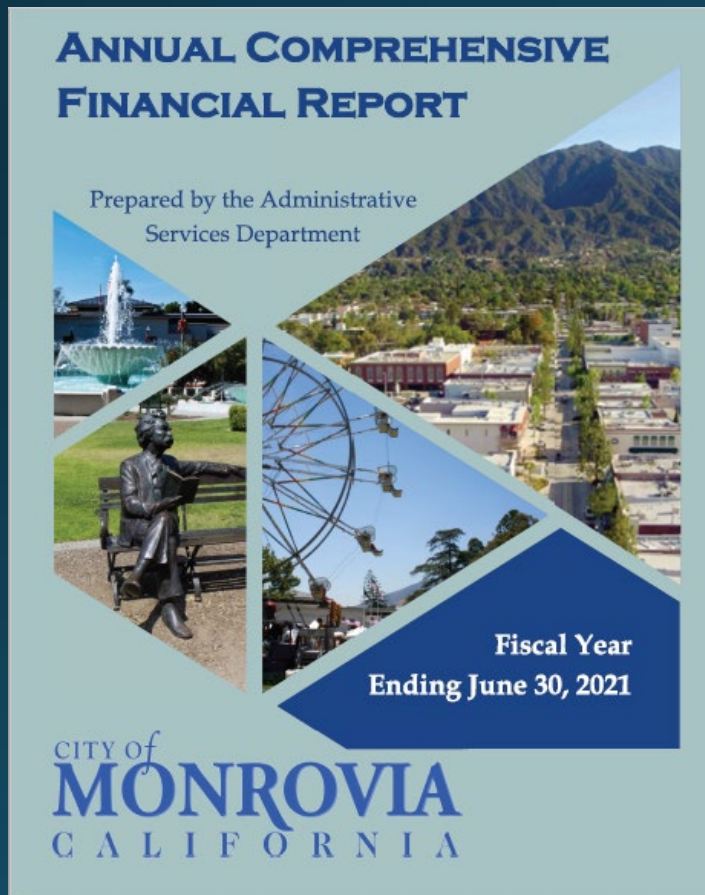
New Development for Fiscal Year 2020-21:

GASB Statement No. 98 was issued in October 2021.

- Establishes the term *Annual Comprehensive Financial Report (ACFR)*, which replaces the use of the term *Comprehensive Annual Financial Report* and its acronym.
- The purpose for this change is because the pronunciation of the acronym for the previous terminology sounds like an objectionable racial slur.
- Statement No. 98 is effective for fiscal years beginning after December 15, 2021, but early implementation is encouraged.
- The City of Monrovia has opted for early implementation. The new terminology has been applied in the Fiscal Year 2020-21 ACFR.

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The ACFR is comprised of different parts that each serve a specific purpose in providing information to the reader:



- **Introductory Section-** Includes “extra” information to supplement the financial section of the ACFR. For example, the Transmittal Letter provides a discussion of financial results, strategic objectives, and major projects completed during the year.
- **Financial Section –** Includes the Independent Auditor’s Report, Management’s Discussion and Analysis (MD & A), the audited financial statements, and footnotes to the financial statements.
- **Statistical Section –** Provides supplemental data not evident in the Financial Section, such as financial trend information and demographic data.

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Financial Condition of the City at June 30, 2021:

Fiscal Year 2020-21 was unprecedented, with many unique challenges:

- Global pandemic – The fiscal year began during the height of the pandemic.
- Economic Recession – The local economy was experiencing the impacts of Regional Stay-At-Home Orders.
- Local Emergency Event – The Bobcat Fire occurred in September 2020.

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Financial Condition of the City at June 30, 2021 (continued):

Although the year was challenging, there were many positive outcomes:

- The General Fund closed the year with a positive increase of \$4,634,647.
 - This positive increase was the result of the City's ability to quickly respond and enact budgetary cost savings measures in response to the pandemic.
 - Additionally, several key revenues outperformed expectations.
- There was an increase in overall cash balances.
- There was an increase in enterprise and internal service fund net position.
- There was an improvement in the financial condition of several funds that previously had deficit balances (i.e., Lighting and Landscape Assessment Fund and the Worker's Compensation Fund).

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Net Position

Net Position includes all assets and liabilities of the City at June 30, 2021. Liabilities include “actual” obligation amounts, but also include “estimates” for certain liabilities.

- Overall, the City ended the year with a negative net position of \$13.07 million, which was a decrease of \$1.11 million from the prior year.
- Net position has been significantly impacted by two GASB pronouncements over the last several years. GASB No. 68, Accounting and Financial Reporting for Pensions and GASB No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions requires that the City record estimates for these two long-term liabilities on its financials. Combined, they equal \$48.3M in liabilities at June 30, 2021.
- The City will continue to focus on growing Net Position in future budgetary cycles.

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The ACFR incorporates GAAP accounting standards, which are based on a conservative approach to financial reporting.

- For example, all future liabilities are included in the financial statements; however, any future revenues dedicated to repay those liabilities are not allowed to be included.
- All of the City's outstanding bond obligations have specific revenue streams (non-General Fund revenues) dedicated for their repayment. These revenues are not included in the ACFR, as only the outstanding liabilities are included. Below is a listing of bonds with dedicated revenue streams:

Bond Description	Purpose of the Bonds	Pledged Revenue	Remaining Years	Outstanding Principal Balance At 6/30/21
2015 Hillside Lease Revenue Refunding Bonds	To purchase property in the Hillside Wilderness Preserve	Dedicated Parcel Tax (Property tax revenues)	10 years	\$ 4,455,000
2016 Measure R & Proposition C Street Improvements Lease Revenue Bonds	To fund the Monrovia Renewal Project	Measure R & Proposition C Revenues Local Sales Tax Return Revenues	24 years	\$ 12,335,000
2016 Water & Sewer Revenue Bonds	To fund the Monrovia Renewal Project	Water and Sewer user rate revenues	24 years	\$ 33,460,000
2017 Library Lease Revenue Refunding Bonds	To fund the construction of the Monrovia Library	Dedicated Parcel Tax (Property tax revenues)	17 years	\$ 11,805,000
2017 Taxable Pension Obligation Bonds	To Reduce Pension Obligation	Dedicated Property Tax	26 years	\$103,155,000
Total				\$165,210,000

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Overall, the ACFR is a valuable tool that provides important financial information for the period ending June 30, 2021; however, it does not reflect all of the positive and proactive steps the City Council has taken, over the last several years, to improve the City's fiscal health and ensure long-term financial stability.

Examples of positive steps include:

- In 2017, the City Council approved a CalPERS Response Plan (CPR Plan).
- In 2018, the City Council approved a five-year water rate increase that will help to ensure the long-term fiscal sustainability of the Water Fund.
- The City Council approved the Measure K sales tax initiative (approved by the voters in November 2019), which is currently estimated to bring in an additional \$6.5 million in revenues each year.
- The City Council has taken steps to address the City's long-term CalPERS Unfunded Accrued Liability (UAL) and OPEB liability, as this has been an ongoing priority for the City Council.

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The Audit Committee is an important part of the audit.

- Mayor Pro Tem Crudgington and Councilmember Spicer served on the Audit Committee for the Fiscal Year 2020-21 audit.
- The auditors met with the Audit Committee before the audit started, and then again at the conclusion of the audit, to review the ACFR draft and discuss the results of the audit.
- Throughout the year, the Audit Committee members may also contact the auditors, at any time, with questions, concerns, or for clarification on any audit related items.

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The City's ACFR meets the highest standards of financial reporting.

- The City has received the Government Finance Officers Association's (GFOA) award for excellence in financial reporting for the past 27 years.
- The City also submitted this year's Fiscal Year 2020-21 ACFR for consideration in the GFOA's national award program.



Government Finance Officers Association

Certificate of
Achievement
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Reporting

Presented to

**City of Monrovia
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morvill
Executive Director/CEO

FY 2020-21 ACFR

Auditor Presentation:

Bryan Gruber, Managing Partner from Lance, Soll, and Lunghard, CPA's, will discuss the Fiscal Year 2020-21 audit and ACFR.

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