



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: January 18, 2022

TO: City Council

FROM: Christine Daniel, City Manager

SUBJECT: **Resolution Of The City Council Of The City Of Emeryville Accepting The Comprehensive Annual Financial Report And Associated Compliance Audit Reports And Auditor Correspondence For The Fiscal Year Ended June 30, 2021**

RECOMMENDATION

Staff recommends that the City Council adopt the above-entitled resolution accepting the Comprehensive Annual Financial Report and associated compliance audit reports and auditor correspondence for the City of Emeryville for the fiscal year ended June 30, 2021, including the following:

- Comprehensive Annual Financial Report
- Child Development Center Compliance Audit
- Measure B Compliance Audit
- Measure BB Compliance Audit
- Measure F Vehicle Registration Fee Program Compliance Audit
- Auditor's Communication Letter
- Auditor's Memorandum on Internal Control
- Auditor's Report on Appropriations Limit Calculation

BACKGROUND

Each year, the City contracts with an independent certified public accounting firm to conduct an audit of the City's financial statements. In addition to the City's general purpose financial statements which are included in the Comprehensive Annual Financial Report document, the City prepares various financial reports associated with the Emeryville Child Development Center, Measure B, Measure BB and Measure F Vehicle Registration Fee Program. These financial reports are also reviewed during the audit process in compliance with certain local, state and federal reporting requirements. At the completion of the annual audit process, the auditors issue three communication documents to the City Council – the Auditor's Communication Letter, the Memorandum on Internal Control and the Appropriations Limit Compliance Letter. For the fiscal year ended June 30, 2021, the

financial audit was conducted by the accounting firm of Maze & Associates. This was the first audit completed for the City by Maze & Associates under an agreement approved by the City Council in April 2021.

DISCUSSION

The items presented for City Council review and acceptance include the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021, four additional compliance audit reports and three auditor communication documents. Each of these items is discussed below.

Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report provides detailed information on the financial position of the City of Emeryville. The Comprehensive Annual Financial Report is organized into the following four sections:

Introductory Section

The Introductory Section (pages vii – xix) includes the City Manager’s Transmittal Letter discussing the City’s profile, current economic condition and economic outlook, major accomplishments over the past year and information on internal and budgetary controls. Also included in the Introductory Section is a listing of City officials, organizational chart and City map.

Basic Financial Section

This is the key section of the Comprehensive Annual Financial report and includes:

- Independent Auditor’s Report (pages 1-3) stating that the financial statements accurately reflect the City’s financial position.
- Management’s Discussion and Analysis (pages 5-17) which provides highlights of the financial statements and an overview of the City’s activities and financial performance.
- Basic Financial Statements (pages 19-106) for the fiscal year ended June 30, 2021, including balance sheets, income and cash flow statements and notes to the financial statements providing additional information on the City’s financial operations.

The audited financial statements provide information on the City’s funds separated by fund classification:

- Governmental Funds including the General Fund, Grant Funds, Housing Assets Fund, Property Based Improvement District (PBID) Fund, General Capital Improvement Fund, Redevelopment Agency Bond Fund and other nonmajor funds.

- Proprietary Funds which account for those activities financed and operated in a manner similar to a private business enterprise including the Sewer Enterprise Fund and Internal Service Funds.
- Fiduciary Funds which account for assets held by the City as a trustee or agent for individuals, other governmental units or other funds.

For the fiscal year ended June 30, 2021, the City's main operating fund, the General Fund, recorded revenue of \$40.5 million and expenditures of \$39.2 million which increased the year-end fund balance by \$1.3 million. The General Fund unassigned fund balance in combination with the economic uncertainty fund balance totaled \$33.4 million of the General Fund's total \$54.3 million year-end fund balance.

Combining and Individual Fund Statements and Schedules

The Combining and Individual Fund Statements and schedules Section provide detailed financial information for the City's nonmajor governmental funds including twenty-eight special revenue funds, eight capital project funds and the debt service fund (pages 107-166). Also included in this section of the Comprehensive Annual Financial Report are financial schedules for the City's seven internal service funds (pages 167-173), the custodial fund for the 1999 Revenue Bonds Fund and Assessment District Funds (pages 175-177) and the five private purpose trust funds (pages 179-181).

Statistical Section

The Statistical Section (pages 183-212) provides current and historical information on financial trends, revenue and debt capacity, demographic, economic and other operating data over a ten-year period.

Child Development Center Compliance Audit

A separate review of the financial statements of the Emeryville Child Development Center was completed. The auditors found no instances of noncompliance with laws, regulations, contracts and grant agreements. The auditors identified no audit findings or questioned costs charged to this program.

Measure B Compliance Audit

In November 2000, Alameda County voters approved Measure B, a 0.5 percent sales tax, to deliver essential transportation improvement and services. The City of Emeryville receives a portion of this funding from the Alameda County Transportation Commission. All City of Emeryville financial transactions related to Measure B funds are recorded in a Measure B special revenue fund. The auditors reviewed the Measure B financial transactions recorded during the 2020-21 fiscal year and found no instances of non-compliance with Measure B funding requirements.

Measure BB Compliance Audit

Alameda County voters, in November 2014, approved Measure BB which extended the term of the Measure B sales tax and added an additional 0.5 percent sales tax. The City's portion of this additional revenue is utilized to fund paratransit, local streets and roads, and bike and pedestrian programs. The auditors reviewed the Measure BB financial transactions recorded during the 2020-21 fiscal year and found no instances of non-compliance with Measure BB funding requirements.

Measure F Vehicle Registration Fee Program Compliance Audit

In November 2010, Alameda County voters approved Measure F which authorized the collection of an annual vehicle registration fee to be used for local transportation purposes in Alameda County. The City of Emeryville receives a portion of the Measure F funding from the Alameda County Transportation Commission and records all related transaction in a special revenue fund. Based upon the auditor's review, the City was in compliance with Measure F expenditure requirements during the fiscal year ended June 30, 2021.

Auditor's Communication Letter

Professional audit standards require that the auditors communicate directly with the City Council. In the Auditor's Required Communication, Maze & Associates identifies two new required accounting policies which were implemented last fiscal year (GASB 84 and GASB 90). The auditors discuss certain accounting estimates required for the preparation of the financial statements and confirm that there were no material audit adjustments required, misstatements or disagreements with management to report. The auditors have issued an unmodified (clean) opinion on the City's financial statements.

Auditor's Memorandum on Internal Control

In the Memorandum on Internal Control, Maze & Associates confirm that there were no material deficiencies in internal control identified. The auditors did make one recommendation related to diversification of the City's investment portfolio which staff has agreed to implement before the end of the current fiscal year.

Appropriations Limit Calculation

In accordance with the provisions of the 1979 Gann Initiative (Proposition 4), the City Council annually approves an appropriations limit calculation. As part of the annual audit process, the auditors review and verify staff's appropriations limit calculation. For the fiscal year ended June 30, 2021, the auditors have verified that the appropriations limit calculation is correct.

FISCAL IMPACT

None.

ADVISORY BODY REVIEW

The Budget & Governance Committee received a presentation from the independent auditors and reviewed the draft reports at its December 9, 2021 meeting. The Budget Advisory Committee is scheduled to review the reports issued by the City's independent auditors on January 13, 2022.

PREPARED BY: Christine Daniel, City Manager

**APPROVED AND FORWARDED TO THE
CITY COUNCIL OF THE CITY OF EMERYVILLE:**



Christine Daniel, City Manager

ATTACHMENTS

- Draft Resolution
- Attachment 1: Comprehensive Annual Financial Report
- Attachment 2: Child Development Center Compliance Audit
- Attachment 3: Measure B Compliance Audit
- Attachment 4: Measure BB Compliance Audit
- Attachment 5: Measure F (Vehicle Registration Fee) Compliance Audit
- Attachment 6: Auditors Communication Letter
- Attachment 7: Auditors Memorandum on Internal Control
- Attachment 8: Auditors Report on Appropriations Limit Calculation