

ASSOCIATION OF BAY AREA GOVERNMENTS

ABAG Finance Authority for Nonprofit Corporations



Date: November 1, 2018

To: ABAG FAN Executive Committee

From: Executive Director

Subject: **Approval of ABAG Finance Authority for Nonprofit Corporations' Financial Audit for Fiscal Year 2017-18**

Overview

Staff requests that the ABAG Finance Authority for Nonprofit Corporations' (FAN) Executive Committee approve the audited Financial Statements and reports for fiscal year 2017-18.

Background

Pursuant to FAN's Bylaws and state law, an independent audit firm performs an annual financial audit and issues an opinion on FAN's financial position as of June 30 of each year. The financial statements are for the period ended June 30, 2018.

FAN received an unmodified opinion. An unmodified opinion is expressed by the auditor when the auditor concludes that the financial report is prepared, in all material respects, in accordance with the applicable financial reporting standards. The FAN Financial Statements is prepared under U.S. Generally Accepted Accounting Principles (GAAP) guidelines.

The FAN Financial Statements (attached) is comprised of several sections:

- **Report of Independent Auditors** – This section has the independent auditors' report which includes PricewaterhouseCoopers, LLP opinion on the presentation of the accompanying financial statements.
- **Management Discussion and Analysis** – This section includes Management's Discussion and Analysis (MD&A), which is management's overview of FAN's financial position, identification of any major issues, and projections for the future.
- **Basic Financial Statements** – This section includes actual financial statements and note disclosures.
- **Other Supplementary Information** – This section includes a summary of conduit financings.

Financial Impact

Management's Discussion and Analysis section of the Financial Statements discloses management's perspective on the financial position of FAN for FY 2017-18. FAN has a net deficit position of \$324,810 (p.5) including an operating loss of \$198,194. There are two main components creating the net loss for FY 2017-18. First, ABAG FAN had to retain a number of

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temporary staff and professional experts to transition to the new MTC administration and close out past ABAG administration. Second, FAN agreed to make a \$168,451 contribution to ABAG to support ABAG operations by waiving the balance of a past loan.

Fortunately cash and investments (p.4) actually increased by \$38,000 in FY 2017-18. Even with the additional costs, ABAG FAN ended the year with over \$4.3 million in the bank. With transition costs behind us ABAG FAN should continue in a strong financial position.

Other financial highlights include:

- In May 2018, the FAN Executive Committee approved an agreement waiver to forgive and cancel the Association of Bay Area Governments (ABAG) outstanding loan balance of \$168,451 (p.14, Note 1K.).
- FAN implemented Governmental Accounting Standard Board (GASB) Statements No. 75, 81, 83, 85, and 86. The implementation of the aforementioned GASB Statements did not have an impact on FAN's financial statements.
- ABAG FAN has agreed to provide financial and operational support for the Advancing California Financing Authority (ACFA) in cooperation with ABAG.
- Breakdown of conduit financing categories in Note 4 (p.18)
- Breakdown of Community Facilities District (CFD) debt (p.19) is in the other supplementary information section.
- New schedule detailing all ABAG FAN debt is included in the other Supplementary Information Section (p.20).
- During FY 2017-18 staff arranged for all CFD property tax payments to be delivered to trustee bypassing receipt by internal MTC staff.
- FAN issued the Community Facilities District (CFD) No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) refunding Bonds in the amount of \$9,795,000. The Bonds were issued to (i) refund and defease the outstanding FAN CFD No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable).

Recommended Action

The ABAG FAN Executive Committee is requested to approve the audited financial statements and accompanying reports for fiscal year 2017-18.



Steve Heminger

Attachments

Report to the Executive Committee, FY 2018 Audit Results
ABAG FAN Financial Statements for the Year Ended June 30, 2018