

Association of Bay Area Governments

Finance Committee

November 19, 2020

Agenda Item 9.a.

Financial Statements and Accompanying Reports

Subject: Report on the Association of Bay Area Governments (ABAG) Financial Statements and Accompanying Reports for Fiscal Year 2019-20

Background: Staff requests that the Finance Committee recommend that the ABAG Executive Board accept and approve the attached Financial Statements and accompanying reports for the fiscal year ended June 30, 2020 and accept the staff recommendation to reappoint Crow, LLP for the FY 2021 audit. The Financial statements are prepared by the Metropolitan Transportation Commission (MTC) finance staff and audited by Crowe, LLP.

The exit interview represents an opportunity for the Finance Committee to have direct communication with Crowe, LLP your independent auditor. As part of the exit interview, Crowe, LLP will make a presentation relating to the audit results, required communications and the Report on Federal Awards. Staff will make a presentation on the ABAG Financial Statements.

There are several documents that make up the year-end financial statements and accompanying reports. These reports are:

- FY 2019-20 ABAG Audit Results and Required Communications

Crowe, LLP prepares a report to communicate certain required information related to the FY 2019-20 audit directly to the Finance Committee and Executive Board.

The audit opinion is “unmodified” with no “material” or “significant deficiency” in internal controls. There are no issues of internal control weakness or questioned costs in the report. There was one deficiency finding related to reporting the Regional Early Action Planning (REAP) grant advance, which has been corrected.

- Reports on Federal Awards in Accordance with Office of Management and Budget (OMB) Uniform Guidance for the Year Ended June 30, 2020

Crowe, LLP prepares this report on expenses and financial controls as they relate to federal grants. Highlights of the report include:

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Audit opinion is “unmodified”

No federal findings noted

No instance of non-compliance

No material weakness noted

No questioned costs.

- FY 2019-20 ABAG Financial Statements

The ABAG financial statements for FY 2019-20 are comprised of five sections:

- Independent Auditors Report (p. 1) – this is the opinion expressed on internal controls and the financial statements.
- Management’s Discussion and Analysis (MD&A) (p. 4)
- The MD&A provides a management overview of the information contained in the financial statements as of June 30, 2020.
- Basic Financial Statements (p. 9) – Including
 - Statement of Net Position or assets over liabilities
 - Statement of Revenue, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to the Financial Statements (p. 13) - Including descriptions of the ABAG as a reporting entity and certain information considered important to understanding the reporting entity and accounting practices related to ABAG
- Required Supplementary Information (p. 38) – Mainly pension and OPEB liabilities

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- Other Supplementary Information – Additional accounting information and detail of the ABAG Conduit Financing Pool

These reports and the reports presented by Crowe, LLP constitute the ABAG Financial Reports for the fiscal year ending June 30, 2020.

Highlights of the FY 2019-20 ABAG Financial Statements:

- Negative Net Position (p. 9) – ABAG has a negative Net Position of \$5.9 million, up from \$5.3 million for FY 2018-19. The negative position is caused by a retirement liability (pension and OPEB) of \$16 million.
- Operating Loss (p.10) – ABAG had an operating loss of \$1.1 million, down from \$1.3 million for FY 2018-19.
- Net Pension Liability – Pension liability for FY 2019-20 is \$16 million up from \$15.6 million for FY 2018-19 (p. 38).
- The OPEB liability ended FY 2019-20 with an asset balance of \$68,125 compared to an unfunded liability of \$988,000.
- ABAG Conduit Financing Pool – The balance is now \$8.8 million, down from \$68.6 million in FY 2019, the result of a Ukiah water bond being refinanced. The remainder of the pool is scheduled to be retired by 2036

The retirement of the unfunded OPEB liability was made possible by a contribution from ABAG FAN.

If you have any questions about this report, please contact Brian Mayhew at (415) 778-6730.

Issues:

None

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Recommended Action: The Finance Committee is requested to accept the staff report and recommend Executive Board approval of the Financial Statements and accompanying reports for Fiscal Year 2019-20 and reappoint the firm of Crow, LLP for the FY 2021 annual external audit.

Attachments:

- A. FY 2019-20 ABAG Audit Results and Required Communication
- B. Reports on Federal Awards in Accordance with Office of Management and Budget (OMB) Uniform Guidance for the Year Ended June 30, 2020
- C. Presentation
- D. FY 2019-20 ABAG Financial Statements

Reviewed:



Therese W. McMillan