



# CITY COUNCIL AGENDA STATEMENT



**March 2, 2021**

**File ID: 21-0038**

## **TITLE**

ACCEPTANCE OF AUDITED COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR ENDED JUNE 30, 2020

## **RECOMMENDED ACTION**

Council accept the report.

## **SUMMARY**

Presented for City Council information and acceptance are the audited basic financial statements included in the CAFR for the fiscal year ended June 30, 2020, as prepared by the independent audit firm of Lance Soll & Lunghard, LLP. The audit report submitted for the City has received an unmodified (clean) opinion from the independent audit firm.

## **ENVIRONMENTAL REVIEW**

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because the activity consists of a governmental fiscal/administrative activity which does not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

## **DISCUSSION**

Pursuant to the City Charter Section 1017, an annual audit is performed of the City's financial records by an independent accounting firm. The report is included as an attachment. The firm of Lance Soll & Lunghard, LLP has examined the basic financial statements of the City of Chula Vista and has issued their opinion that those statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The unassigned fund balance for the City's General Fund (Fund 100 only) totaled \$25.1 million as of June 30, 2020. This amount reflects 15.0% in unassigned fund balance (operating reserves) of fiscal year 2019-20 actual expenditures of \$167.1 million, which includes transfers out to other funds except for transfers related to Measure P, Measure A, and Public Liability Trust. The unassigned fund balance increased from \$23.7 million to \$25.1 million when compared to June 30, 2019, representing an increase of \$1.4 million, and resulted in the City's third consecutive year in full funding of the General Fund Operating Reserve (per the General Fund Reserve Policy - Policy No. 220-03).

In addition to the unassigned fund balance/General Fund Operating Reserve, the General Fund ended fiscal year 2019-20 with \$8.4 million in the Economic Contingency Reserve, which represents an increase of \$1.1 million from the prior fiscal year. This reserve was also established by the City Council in fiscal year 2009 with the approval of the Policy No. 220-03. The Economic Contingency Reserve has previously been funded through one-time revenues and/or expenditure savings. The additional \$1.1 million was funded after fully funding the General Fund Operating Reserve as described above. The reserve policy sets a reserve goal of 5% for the Economic Contingency Reserve. The General Fund ended fiscal year 2019-20 with the full 5% in the Economic Contingency Reserve. The City also has a Catastrophic Event Reserve Fund with a reserve goal of 3%. The City was able to partially fund the Catastrophic Event Reserve in fiscal year 2019-2020 by adding \$2.7 million. This amount is equal to 1.6% of the 3% Emergency Reserve policy goal.

Lance Soll & Lunghard, LLP considered the City's internal control over financial reporting to determine the appropriate audit procedures for expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. The Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards is included in the CAFR for fiscal year 2020. This was Lance Soll & Lunghard, LLP's seventh year serving as the City's independent auditors.

The City's Consolidated Annual Financial Report (CAFR), is provided as Attachment 1 of this report.

### **DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Councilmember, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

### **CURRENT-YEAR FISCAL IMPACT**

There is no fiscal impact as a result of accepting the Fiscal Year 2019-20 Comprehensive Annual Financial Report.

### **ONGOING FISCAL IMPACT**

There is no ongoing fiscal impact as result of this action.

### **ATTACHMENTS**

1. Fiscal Year 2019/20 Comprehensive Annual Financial Report

*Staff Contact: David Bilby, MSBA, CPFO, Finance Director/Treasurer*