



CITY COUNCIL AGENDA STATEMENT



February 19, 2019

File ID: 18-0563

TITLE

- A. SUBMISSION OF FINAL AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018
- B. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING AMENDMENTS TO THE FISCAL YEAR 2017/2018 BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS THEREFOR (4/5 VOTE REQUIRED)

RECOMMENDED ACTION

Council receive the report and adopt the resolution.

SUMMARY

Presented for City Council information and acceptance are the Audited Financial Statements for the fiscal year ended June 30, 2018, as prepared by the independent audit firm of Lance Soll & Lunghard LLP. The audit report submitted for the City has received an unqualified (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 general purpose 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, 2018 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) totaled \$23.8 million as of June 30, 2018. This amount reflects 15.0% in unassigned fund balance (operating reserves) of fiscal year 2017-18 actual expenditures of \$158.4 million, which includes transfers out to other funds except Measure P. The unassigned fund balance increased from \$19.8 million to \$23.8 million when compared to June 30, 2017, representing an increase of \$4.0 million, and resulted in the City's first full funding of the General Fund Operating Reserve (per the General Fund Reserve Policy - Policy No. 220-03) in a number of years.

In addition to the unassigned fund balance/General Fund Operating Reserve, the General Fund ended fiscal year 2017-18 with \$3.8 million in the Economic Contingency Reserve, which represents an increase of \$0.2 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 \$0.2 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 2017-18 with approximately 2.4% in the Economic Contingency Reserve.

In order to form a basis for their opinion, Lance Soll & Lunghard LLP, evaluated the internal control procedures of the City and found no reportable conditions. This was Lance Soll & Lunghard LLP's fifth year serving as the City's independent auditors.

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

Budget Amendments - as part of the final review of the fiscal year 2017-18 budget, staff made accounting entries that require budget amendments. The budget amendments impact two funds; these changes addressed a change in accounting fund reporting structure. The actual fund impact related to these changes are reflected in the CAFR and the proposed budget amendments will address any budget overages.

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 2016-17 Comprehensive Annual Financial Report.

Approval of the resolution will result in the following budget amendments/appropriations. The net fiscal impact on the individual funds is also reflected on the table below.

FUND	OTHER EXPENSES	CIP PROJECT EXPENSES	TOTAL EXPENSES	TOTAL REVENUES	NET COST
OTHER FUNDS					
Trunk Sewer Capital Reserve	\$ 350,000	\$ 4,146,348	\$ 4,496,348	\$ (1,450,000)	\$ 3,046,348
Sewer DIFs	\$ (350,000)	\$ (4,146,348)	\$ (4,496,348)	\$ 1,450,000	\$ (3,046,348)
TOTAL OTHER FUNDS	\$ -	\$ -	\$ -	\$ -	\$ -

ONGOING FISCAL IMPACT

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

ATTACHMENTS

Fiscal Year 2016/17 Comprehensive Annual Financial Report

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