



City of Chula Vista

Staff Report

File#: 13-0229, **Item#:** 9.

- A. CONSIDERATION AND ACCEPTANCE OF AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013
- B. RESOLUTION NO. 2014-001 OF THE **SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY** OF THE CITY OF CHULA VISTA AMENDING THE SUCCESSOR AGENCY BUDGET FOR FISCAL YEAR 2012-13 BY \$100,000 (4/5 VOTE REQUIRED)

RECOMMENDED ACTION

Council accept the report and Agency adopt the resolution.

SUMMARY

Presented for City Council information and acceptance are the Audited Financial Statements for the fiscal year ended June 30, 2013, as prepared by the independent audit firm of Pun & McGeady, LLC. The audit report submitted for the City has received an unqualified (clean) opinion from the independent accounting firm.

A budget amendment to the Successor Agency's fiscal year 2012-13 budget is requested in the amount of \$100,000. The payment was approved by the California Department of Finance for the Recognized Obligation Payment Schedule 1314A (July through December 2013) and is part of the Successor Agency budget for the current fiscal year.

ENVIRONMENTAL REVIEW

The Environmental Review Coordinator has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the requested actions are not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change to the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the actions proposed are not subject to CEQA

BOARD/COMMISSION 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 firm of Pun & McGeady, LLC (formerly Caporicci & Larson, LLC) 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, 2013 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".

A prior-period adjustment was recorded to reduce the Sales Tax In-Lieu revenue accrual from fiscal year 2005-06 due to a triple-flip sales tax recalculation relating to the California Budget Act of 2006

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for the City's General Fund. The adjustment resulted in a decrease of \$3.3 million to the General Fund unassigned fund balance. With the adjustment, the General Fund unassigned fund balance was verified to be \$10.8 million as of June 30, 2013. Included in the \$10.8 million unassigned fund balance, is \$0.1 million in the Fire Equipment Lease Fund which is classified as a general-fund type of fund. Unassigned fund balance is the portion of fund balance that is available for appropriation.

The unassigned fund balance for the City's General Fund (\$10.8 million) represents 8.5 percent of the 2013-14 fiscal year operating budget. The unassigned fund balance increased from \$8.6 million (as restated) to \$10.8 million representing an increase of \$2.2 million.

In order to form a basis for their opinion, Pun & McGeady, LLC, evaluated the internal control procedures of the City and found no reportable conditions. This was Pun & McGeady's fifth year serving as the City's independent auditors. This is the firm's final year under the current contract. The Finance Department will be issuing an RFP for audit services for the fiscal year 2014 financial statements.

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

Budget Amendment Request - FY 2012-13

A budget amendment to the Successor Agency's fiscal year 2012-13 budget is requested in the amount of \$100,000. The payment was approved by the California Department of Finance for the Recognized Obligation Payment Schedule 1314A (July through December 2013) and is part of the Successor Agency budget for the current fiscal year. The payment was made in the current fiscal year to Goodrich as required by the Cooperative Remediation Agreement.

The payment is due to Goodrich in July but is for reimbursable expenditures incurred in the previous fiscal year. During the course of the audit, the auditors reviewed all supporting documents for the payment and required an accrual back to fiscal year 2012-13 consequently a budget amendment of \$100,000 is requested to the Other Expenses category for the Redevelopment Obligation Retirement Fund. The current year budget does not require amending because the next payment to Goodrich will be accrued back to the current fiscal year in accordance with generally accepted accounting principles.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the Successor Agency and has found no property holdings within 500 feet of the boundaries of the property which is the subject of this action. Staff is not independently aware, and has not been informed by any Successor Agency member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The preparation of City's financial statements promotes a Connected Community through reporting the City's financial position to the public, regulatory agencies and bondholders.

CURRENT YEAR FISCAL IMPACT

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There is no fiscal impact to the General Fund from this action. Approval of the resolution will amend the fiscal year 2012-13 Other Expenses Category of the Successor Agency budget by \$100,000. The Successor Agency has already received a property tax distribution for the \$100,000.

The contract for audit services totaled \$117,965 for the year reported.

ONGOING FISCAL IMPACT

There is no fiscal impact in future years.

ATTACHMENTS

1. Fiscal Year 2012-13 Comprehensive Annual Financial Report