



City of Chula Vista

Staff Report

File#: 15-0001, **Item#:** 7.

ACCEPTANCE OF AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014

RECOMMENDED ACTION

Council accept the report.

SUMMARY

Presented for City Council information and acceptance are the Audited Financial Statements for the fiscal year ended June 30, 2014, 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 Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the requested action is not a "Project" as defined under Section 15378(b)(4) of the State CEQA Guidelines because it is only the consideration and acceptance of the audited financial statements for the fiscal year that ended June 30, 2014; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines no environmental review is necessary.

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 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, 2014 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 totaled \$14.3 million as of June 30, 2014. This amount reflects 10.4% in unassigned fund balance (operating reserves) of fiscal year 2013-14 actual expenditures of \$138.4 million. The unassigned fund balance increased from \$10.8 million to \$14.3 million when compared to June 30, 2013, representing an increase of \$3.5 million.

In addition to the unassigned fund balance, the General Fund ended fiscal year 2013-14 with \$3.6 million in the Economic Contingency Reserve. This reserve was established by the City Council in

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fiscal year 2009 with the approval of the updated General Fund Reserve Policy. The Economic Contingency Reserve has been funded through one-time revenues and/or expenditure savings. The reserve policy sets a reserve goal of 5% for the Economic Contingency Reserve. The General Fund ended fiscal year 2013-14 with approximately 2.6% of the 2013-14 fiscal year budget (\$138.4 million) 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 first year serving as the City's independent auditors. The City previously contracted with Pun & McGeady, LLC. After five years of contracting with this firm the City decided to issue an RFP earlier this fiscal year and awarded the contract to Lance Soll & Lunghard LLP.

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 section 18705.2 (a)(11), is not applicable to this decision. Staff is not independently aware, and has not been informed by any City Council 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. This action supports the Operational Excellence goal by communicating the City's financial position for the fiscal year ending June 30, 2014 in an open and transparent manner. This transparency supports City Initiative 1.3.1. - "Foster public trust through an open and ethical government."

CURRENT YEAR FISCAL IMPACT

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

ONGOING FISCAL IMPACT

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

ATTACHMENTS

1. Fiscal Year 2013-14 Comprehensive Annual Financial Report

Staff Contact: Phillip Davis, Assistant Director, Finance Department