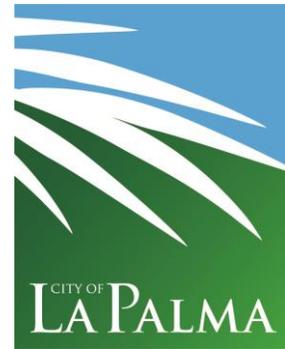


# City of La Palma

## Agenda Item No. 4



MEETING DATE: December 17, 2019

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBMITTED BY: Sea Shelton, Administrative Services Director

AGENDA TITLE: Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending June 30, 2019

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### **RECOMMENDED ACTION:**

It is recommended that the City Council accept and receive and file the Comprehensive Annual Financial Report (CAFR) of the City of La Palma for the Fiscal Year ended June 30, 2019.

### **SUMMARY:**

The attached CAFR describes in detail the financial position and financial activity of the City of La Palma for the fiscal year ended June 30, 2019. The City's financial statements were audited and found to be in conformance with Generally Accepted Accounting Principles (GAAP). City staff has every reason to expect that this year's CAFR will be the twenty-second report to receive the Government Finance Officers Association of the United States and Canada's *Certificate of Achievement for Excellence in Financial Reporting*. The City Manager's letter of Transmittal and the Management Discussion and Analysis contained in the CAFR provide highlights of the report's contents including the following:

#### **Governmental Activities:**

Governmental Activities increased the City's net position by \$1.4 million in contrast to the prior year's increase of \$0.9 million. Key elements of this net increase of \$0.5 million include:

- Overall revenues increased by \$0.8 million over the previous fiscal year. Although there are small offsetting variances between other revenue sources, Other General Revenues account for the entire \$0.8 million increase, specifically investment income. Investment income increased significantly over the prior year due to higher interest rates throughout much of the year which were followed by decreased interest rates in the last quarter of the year. The decline in interest rates resulted in an unrealized market value gain at year-end which was reported as part of investment income.

- Expenses increased by \$0.3 million when compared to the previous fiscal year. All departments had higher personnel costs resulting from the implementation of a three-year labor agreement which was in effect at the beginning of FY 2018-19. Public Safety, Public Works, and Recreation had increases totaling \$0.7 million. General Government had reductions totaling \$0.4 million resulting from prior year one-time contributions towards the unfunded pension liability and net adjustments to the net OPEB and pension liabilities. Unallocated interest in the current year accounted for the remaining increase in costs

#### **General Fund:**

As of June 30, 2019, the “spendable” portion of the General Fund’s fund balance (i.e., Committed, Assigned, and Unassigned fund balance) was \$9.3 million, while the total fund balance was \$10.0 million. As a measure of the General Fund’s liquidity, it may be useful to compare this “spendable” portion of fund balance to total General Fund expenditures. Using this metric, total General Fund “spendable” fund balance represents 87% of total General Fund expenditures. The General Fund’s Unassigned fund balance was \$3.4 million at June 30, 2019, and represents 31% of total General Fund expenditures.

The City’s General Fund had a net increase to fund balance of \$1.5 million in FY 2018-19 in contrast to a net decrease of \$2.7 million in FY 2017-18. Revenues were higher in FY 2018-19 by \$0.3 million, expenditures were lower in FY 2018-19 by \$3.5 million, and net transfers to other funds decreased by \$0.4 million. The reasons for this net \$4.2 million year-to-year change are as follows:

- Investment income increased by \$0.3 million due to higher interest rates throughout much of the year which were followed by a decrease in interest rates in the last quarter of the year. The decline in interest rates resulted in an unrealized market value gain at year-end which was reported as part of investment income.
- Rental revenue was higher by \$0.1 million resulting from a display sign rental agreement being in effect for the entire fiscal year rather than only for five months of the prior year.
- Miscellaneous income was lower by \$0.1 million. The prior year included a one-time utility rebate of \$0.1 million.
- General government costs decreased by \$2.5 million. The prior year included an optional, one-time \$2.5 million payment towards the City’s unfunded pension liability.
- Community development costs decreased by \$1.5 million due to the prior year acquisition of property comprised of land valued at \$1.3 million and a building valued at \$0.2 million.
- The large identified cost differences were offset by City-wide higher personnel costs resulting from the implementation of a three-year labor agreement which was effective at the beginning of FY 2018-19.
- Net transfers to other funds decreased by \$0.4 million as a result of higher prior year funding of capital projects and capital project reserves.

An important component of the CAFR is the section entitled Notes to the Financial Statements. It is recommended that particular attention be paid to the notes, as they contain a great deal of useful information about the City's financial policies and position.

**APPROVED:**

  
\_\_\_\_\_  
Administrative Services  
Director

  
\_\_\_\_\_  
City Manager

Attachment:            1.        FY 2018-19 Comprehensive Annual Financial Report



Due to the large size of the CAFR, a separate link has been created. You can open the file by clicking on the link provided below:

## **Attachment 1:**

FY 2018-19 Comprehensive  
Annual Financial Report