



## **Report to Finance Subcommittee**

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**TO:** Finance Subcommittee

**FROM:** Marshall Eyerman, Chief Financial Officer

**AGENDA DATE:** January 4, 2018

**TITLE:** TRANSMITTAL OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT AND POPULAR ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2017

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### **RECOMMENDED ACTION**

Recommendations: That the Finance Subcommittee:

1. Receive and file the Comprehensive Annual Financial Report for the fiscal year that ended June 30, 2017.
2. Receive and file the Popular Annual Financial Report for the fiscal year that ended June 30, 2017.

### **SUMMARY**

The Comprehensive Annual Financial Report (CAFR) for FY 2016-17 presents the results of the City's operations and financial position as of June 30, 2017. The CAFR incorporates all component units of the City including the Moreno Valley Community Services District. A summary of the City's financial position as of June 30, 2017 is provided in the Management's Discussion and Analysis (MD&A) section of the CAFR. The City's financial statements have received an "unqualified" opinion from an independent auditor (Vasquez & Company), which indicates based on the independent auditor's judgment that the financial records and statements are fairly and appropriately presented in all material respects.

The Popular Annual Financial Report (PAFR) for FY 2016-17 was prepared to provide readers an easy to understand summary of our financial activities in an informative and brief manner. The PAFR is a summary of the financial activities and is drawn from information found in the more detailed CAFR.

### **DISCUSSION**

The Comprehensive Annual Financial Report (CAFR) for Fiscal Year (FY) 2016-17 presents the audited results of the City's operations and financial position as of June 30, 2017. The publication of the CAFR is an established practice that signifies the

completion of the City's annual financial audit.

One of the most important items contained in the CAFR is the Independent Auditors' Report on the financial statements, which is also known as the "Opinion Letter". The auditors have provided the City with an "unqualified" audit opinion, which indicates that the City's financial statements fairly present the financial position of the City.

In addition to the City's financial results, the CAFR includes the financial results for all component units of the City, which includes the Moreno Valley Community Services District. A separate section of the CAFR is designated for the financial statements of this entity. A summary of the City's financial position as of June 30, 2017 is provided in the Management's Discussion and Analysis (MD&A) section of the CAFR. The MD&A provides the reader with important information, analysis and context to the Basic Financial Statements. The "Notes to the Financial Statements" follow the Basic Financial Statements and include a wealth of detailed information to the reader of the financial statements on financial policies, status of cash and investments, the value of capital assets, presentation of long term debt, funding status of the City's pension plan and Other Post-Employment Benefits.

The June 30, 2017 CAFR reflects the City's first year of implementing the Governmental Accounting Standards Board (GASB) Statement No. 75, more commonly referred to as "GASB 75". This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense of other postemployment benefits other than pensions that are provided by local governmental employers. A additional implementation impact of this statement can be found in Note 9 of the CAFR.

In recognition of its financial reporting excellence, the Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Moreno Valley for 19 consecutive years. This recognition represents the highest professional governmental accounting award possible. The Certificate is also advantageous to the City's reputation with bond rating agencies and to the financial markets overall. The CAFR for FY 2016-17 has been submitted to the GFOA and staff anticipates receiving the Certificate once again.

The Popular Annual Financial Report (PAFR) for FY 2016-17 was prepared to provide readers an easy to understand summary of our financial activities. This is our third year of publishing a PAFR to condense financial data and to provide complex financial data in a form that is easy to understand and read. In recognition of its financial reporting excellence, the Government Finance Officers Association of the United States and Canada (GFOA) has awarded an Outstanding Achievement Award in Popular Financial Reporting to the City of Moreno Valley for 2 consecutive years. The PAFR for FY 2016-17 has been submitted to the GFOA and staff anticipates receiving the Certificate once again.

The following are the key results noted in the financial reports.

Fiscal Year 2016/17 Year-End:

- General Fund revenues, excluding transfers-in, were \$92,539,983, and were 0.2% higher than budget.
- General Fund expenditures, excluding transfers-out, of \$86,901,259 were 6.7% (\$6,256,881) lower than budgeted.
  - Police Services and Fire Services combined came in under budget by \$3.4 million.
  - Capital Outlay came in under budget by \$2.2 million primarily due to the delay of vehicle and equipment purchases that are anticipated to occur in FY 2017-18.
  - City staff continues to operate very efficiently and respectful of the ongoing need for fiscal responsibility. The majority of departments achieved savings for FY 2016/17.
- The total General Fund fund balance increased from \$51.1 million in FY 15/16 to \$56.1 million in FY 16/17. This represents a 9.8% increase. Unassigned and reserve balances as of June 30, 2017 are:
  - Unassigned fund balance is \$24.4 million
  - Economic uncertainty reserve is \$8.8 million
  - Operating reserve is \$10.6 million
- Moreno Valley Electric Utility's revenue exceeded expenses by \$4,109,715.

**ALTERNATIVES**

1. Receive and file the Comprehensive Annual Financial Report and Popular Annual Financial Report for the fiscal year that ended June 30, 2017.
2. Do not receive and file the financial documents.

Staff recommends Alternative 1.

**FISCAL IMPACT**

There is no fiscal impact. The CAFR and PAFR are provided for informational purposes only.

**NOTIFICATION**

The CAFR and PAFR will be available on the City's website and copies are available for review in the City Clerk's office.

## **PREPARATION OF STAFF REPORT**

Prepared By:  
Dena Heald  
Financial Operations Division Manager

Department Head Approval:  
Marshall Eyerman  
Chief Financial Officer / City Treasurer

## **ATTACHMENTS**

1. Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017
2. Popular Annual Financial Report for Fiscal Year Ended June 30, 2017

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