



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: December 18, 2018

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: REPORT FROM THE OUTSIDE INDEPENDENT AUDITOR ON THE FINANCIAL RESULTS FOR FISCAL YEAR 2017-2018

ISSUES:

Receive the annual financial audit reports of the City for fiscal year 2017-2018 as required by the Riverside City Charter.

RECOMMENDATION:

That the City Council receive the annual financial audit reports of the City for fiscal year 2017-2018.

COMMITTEE RECOMMENDATION:

This report is published on December 6, 2018 for the December 18, 2018 City Council meeting.

On December 12, 2018, the Finance Committee will hear this item for consideration to recommend that the annual financial audit reports of the City for Fiscal year 2017-18 be forwarded to City Council.

If the Finance Committee approves to forward this to City Council, staff respectfully requests that the City Council consider this item at the December 18, 2018 City Council meeting.

DISCUSSION:

The City's independent auditor, Macias, Gini & O'Connell L.L.P. ("MGO"), has completed the fiscal year (FY) 2017-2018 annual audit of the City's financial statements and other financial reports subject to audit, as follows:

1. Comprehensive Annual Financial Report (CAFR)
2. Successor Agency to the Redevelopment Agency of the City of Riverside Financial Report
3. Riverside Public Financing Authority Financial and Compliance Report
4. Air Quality Management District Report
5. Riverside Public Utilities Annual Financial Report

6. Appropriations Limit (Gann) Calculation Compliance Opinion
7. Single Audit Report on Federal Awards

The auditors provided an unmodified, or clean, opinion that the City's financial statements are presented fairly and in conformity with generally accepted accounting principles. This clean audit opinion supports the fact that the City observed compliance with generally accepted accounting principles and statutory requirements. Additionally, the City had no audit findings or instances of material weaknesses or significant deficiencies identified during the audit process. This is the third straight year that the City did not have any audit findings. This is a remarkable achievement given the size and complexity of the City.

Our staff and leadership team work very closely to be prudent and thorough in our financial practices. The lack of audit findings confirms that the City operates with high ethical standards and has necessary internal controls to ensure an accurate and accountable use of public funds. Good finance is important to everything government does, and taxpayers expect this kind of accountability.

The City's financial statements are distributed to the City Council, federal and state government agencies per contract requirements, bond holders, rating and financial institutions, and are made available in libraries for interested citizens.

For the second time, the City has produced a Popular Annual Financial Report (PAFR). The Government Finance Officers Association (GFOA) established the PAFR in 1991 to encourage and assist state and local governments to extract information from their Comprehensive Annual Financial Report (CAFR) to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and who may be overwhelmed by the volume of information in the traditional CAFR. For the first time ever, the City received an award from GFOA for the 2017 submission of the PAFR, and we believe our current report continues to meet the Award for Outstanding Achievement in Popular Annual Financial Reporting program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

MGO has completed their fifth year of the five-year contract. The contract was awarded consistent with the City's charter, which allows the City's independent auditor to serve for no more than five years before mandatory rotation of the audit partner is required. This practice is consistent with industry best practices as promulgated by the national organization of municipal financial professionals, the Government Finance Officers Association. We would like to thank MGO for a good job with the current year's audit.

Representatives from MGO will be at the meeting to make a short presentation of required communications with the Finance Committee and answer any questions.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Edward Enriquez, Interim Chief Financial Officer / City Treasurer
Certified as to availability of funds: Edward Enriquez, Interim Chief Financial Officer / City Treasurer
Approved by: Lea Deesing, Assistant City Manager
Approved as to form: Gary Geuss, City Attorney

Concurs with:



Steven K. Adams, Chair
Finance Committee

Attachments:

1. Presentation
2. Successor Agency Financial Report
3. Riverside Public Financing Authority Financial and Compliance Report
4. Air Quality Management District Report
5. Appropriations Limit (Gann) Calculation Compliance Opinion
6. Single Audit Report
7. Required Auditor Communication
8. Popular Annual Financial Report (PAFR)
9. Comprehensive Annual Financial Report (CAFR)
10. Riverside Public Utilities Annual Financial Report