

for a five-year term, subject to annual renewals, and authorized the City Manager, or designee, to execute the Agreement and any other documents necessary to effectuate the agreement including making minor non-substantive changes.

DISCUSSION:

The City's external independent auditor LSL has completed the annual audit of the City's financial statements and other financial reports subject to audit, as follows:

1. Comprehensive Annual Financial Report (CAFR)
2. Electric and Water Financial Reports
3. Successor Agency Financial Report
4. Riverside Public Financing Authority Financial Report
5. Single Audit Report on Federal Awards
6. Air Quality Management District Report
7. Appropriations Limit (Gann) Calculation Agreed-Upon Procedures

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. As part of the financial audit, the auditors provided a management letter commenting on the Independent Auditors' Report on Internal Control over Financial Reporting regarding the net pension liability and related items for the safety pension plan. The net pension liability and related items were allocated to proprietary funds rather than charging those costs to where the employee costs were incurred. A prior period adjustment of \$12,548,502 was made to properly redistribute these related pension items from proprietary funds to governmental activities. This adjustment was a non-cash adjustment and had no impact on cash flow.

City management concurs with the audit recommendation given that the allocation was done in error. Staff have implemented fiscal year-end procedures to ensure that miscellaneous and safety pension plan year-end entries are handled separately and allocated where respective employee costs are recorded.

LSL noted that during the audit, all City Council Members were not in compliance with AB 1234 which requires City Council members to take an ethics course every two years or within a year of holding the position. The City Clerk's Office concurs with the audit recommendation, and the City Attorney's Office is planning the required training.

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 third 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 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 second time, the City received an award from GFOA for the 2018 submission of the PAFR. The current report continues to meet the Award for Outstanding Achievement in Popular Financial Reporting program requirements, and is being submitted to GFOA to determine its eligibility for another certificate.

LSL has completed its first year of a five-year contract, 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 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. LSL has done a good job with the current year's audit and it is proposed that they be reappointed for the second year of their contract.

LSL will provide the attached presentation of required communications with the Finance Committee and answer any questions.

FISCAL IMPACT:

There is no fiscal impact associated with this report. Funding for the annual audit of Fiscal Year 2019/20 will be included in the FY 2020/21 budget.

Prepared by: Edward Enriquez, Chief Financial Officer / Treasurer
Certified as to
availability of funds: Marie Ricci, Assistant Chief Financial Officer
Approved by: Carlie Myers, Deputy City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Comprehensive Annual Financial Report (CAFR)
2. Electric and Water Financial Reports
3. Successor Agency Financial Report
4. Riverside Public Financing Authority Financial Report
5. Single Audit Report on Federal Awards
6. Air Quality Management District Report
7. Appropriations Limit (Gann) Calculation Agreed-Upon Procedures Report
8. Independent Auditors' Report on Internal Control over Financial Reporting
9. Required Auditor Communication Letter
10. Popular Annual Financial Report (PAFR)
11. Presentation – Lance, Soll & Lunghard, LLP
12. Presentation – Finance Department