



City of Arts & Innovation

Finance Committee Memorandum

TO: FINANCE COMMITTEE MEMBERS DATE: APRIL 8, 2026

FROM: FINANCE DEPARTMENT WARD: ALL

SUBJECT: ANNUAL AUDIT REPORTS FROM EXTERNAL INDEPENDENT AUDITOR,
CLIFTONLARSONALLEN LLP, ON CITY OF RIVERSIDE FINANCIAL RESULTS
FOR FISCAL YEAR 2024-2025

ISSUE:

Receive the annual audit reports from external independent auditor CliftonLarsonAllen LLP, on the City of Riverside financial results for Fiscal Year 2024-2025.

RECOMMENDATION:

That the Finance Committee receive, provide input on, and forward to the City Council the annual financial audit reports for Fiscal Year 2024-2025.

BACKGROUND:

On March 13, 2024, the Finance Committee received the staff report and presentation for the appointment of a new independent external auditor. Following the presentation and discussion, the Committee recommended that the City Council appoint CliftonLarsonAllen LLP to serve as the City's independent auditors in accordance with its annual audit requirements for a five-year period, subject to annual renewals, beginning with the Fiscal Year (FY) ending June 30, 2024.

On April 16, 2024, City Council awarded a Professional Consultant Services Agreement for Certified Public Accountant Services to CliftonLarsonAllen LLP to serve as the City's independent auditor for a five-year term and appointed CliftonLarsonAllen LLP as the City's independent external auditor for a five-year term, subject to annual renewals.

DISCUSSION:

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

1. Annual Comprehensive Financial Report (ACFR)
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 Compliance Report
7. Appropriations Limit (Gann) Calculation Agreed-Upon Procedures

Audit Opinion

The auditors issued an unmodified (clean) opinion, confirming that the City's financial statements are presented fairly and in accordance with generally accepted accounting principles (GAAP). This clean audit opinion reflects the City's adherence to GAAP and statutory requirements.

Auditor Reports

As part of the audit process and in accordance with Government Auditing Standards, CLA has communicated certain information pertaining to the audit directly to those charged with governance, referred to as a governance letter. This letter communicates key information, including audit procedures performed, identified risks, significant accounting estimates, uncorrected and corrected misstatements, and any difficulties encountered during the audit.

In the governance letter, the auditors identified two corrected material misstatements, which were addressed by management. Additionally, they identified a material weakness in internal controls over financial reporting related to the corrected misstatements. Further details on these items are provided below.

Deposits and Capital Asset Adjustments (Corrected Misstatements and Material Weakness)

The City recorded adjustments to properly record deposits and construction in progress capital assets, along with related accumulated depreciation and beginning fund balance/net position. The auditors determined these corrections to be a material weakness in internal controls over financial reporting.

The misstatements originated in prior years as a result of legacy accounting practices, combined with staff turnover and limited resources during the affected periods. As a result, the Finance Department has implemented new accounting procedures to enhance the accuracy of accounting records. Additionally, Finance is in the process of hiring additional experienced staff to support increasing reporting requirements and ongoing organizational needs.

Single Audit Compliance Supplement Delay

The City's Single Audit of expenditures of federal awards is governed by the Office of Management and Budget (OMB), which issues the annual Compliance Supplement used by external auditors to perform Single Audits. Due to an administrative backlog at the federal level, the release of the 2025 OMB Compliance Supplement, which is typically issued in late spring prior to the June 30 fiscal year-end, was delayed until late November. This delay resulted in a several-month extension of the Single Audit timeline. Despite this delay in the Compliance Supplement, the City completed and submitted its Single Audit report to the Federal Audit Clearinghouse prior to the March 31, 2026 deadline.

Report Distribution

The City's financial statements are distributed to the City Council, federal and state agencies, bondholders, rating agencies, and financial institutions in accordance with contractual obligations. They are also made available in City libraries for public access.

Government Finance Officers Association Award

For the thirty-eighth consecutive year, the City received the Government Finance Officers Association (GFOA) Certificate of Achievement in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. Staff are confident that the current ACFR meets all program requirements and has submitted it to GFOA for consideration again this year.

Additionally, the City has produced its ninth Popular Annual Financial Report (PAFR). Established by the GFOA in 1991, the PAFR presents key information from the ACFR in an accessible and easy-to-understand format for the general public, in both English and Spanish languages. This year, for the eighth time, the City earned the GFOA's Award for Outstanding Achievement in Popular Financial Reporting for the fiscal year ended June 30, 2024. Staff believes the current report continues to meet the program's criteria and has submitted it to GFOA for potential certification.

Audit Contract

CliftonLarsonAllen LLP has completed its second-year audit of a five-year contract, consistent with the City's charter, which requires auditor rotation after five years. This practice follows industry best practices as promulgated by the national organization of municipal financial professionals, the GFOA.

FISCAL IMPACT:

There is no fiscal impact associated with this report. Funding for the annual audit of FY 2025/26 is included in the FY 2026/27 budget.

Prepared by: Ryan Carter, Controller
Approved by: Julie Nemes, Interim Finance Director
Certified as to
availability of funds: Julie Nemes, Interim Finance Director
Approved by: Edward Enriquez, Assistant City Manager/Chief Financial
Officer
Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Attachments:

1. Electric and Water Financial Reports
2. Successor Agency Financial Report
3. Riverside Public Financing Authority Financial Report
4. Single Audit Report on Federal Awards
5. Corrective Action Plan
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. Governance Letter
10. Annual Comprehensive Financial Report (ACFR)
11. Popular Annual Financial Report (PAFR) - English
12. Popular Annual Financial Report (PAFR) - Spanish
13. Presentation – Finance Department
14. Presentation – CliftonLarsonAllen LLP