



ANNUAL AUDIT REPORT FROM EXTERNAL INDEPENDENT AUDITOR FOR FISCAL YEAR 2018-2019

Finance Department

City Council
February 4, 2020

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AUDITOR'S REPORT ON FINANCIAL STATEMENTS

1. Unmodified Opinions (Clean Opinions)
 - ✓ Financial statements are presented fairly in accordance with accounting principals generally accepted in the United States of America.



AUDIT COMMENTS AND RECOMMENDATIONS

1. The net pension liability and related items for the safety pension plan 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.
 - A. 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.



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AUDIT COMMENTS AND RECOMMENDATIONS

2. During the course of 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.
 - A. City Clerk's Office concurs with the audit recommendation, and the City Attorney's Office is planning the required training.



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GENERAL FUND & MEASURE Z FUND RESERVES

	General Fund	Measure Z Fund
Beginning Reserve Balance	19%	\$0 M
Ending Reserve Balance – 6/30/2019	20%	\$5 M
Met Policy Requirements	✓	✓
Committed for Unfunded Accrued Liability	\$4.92 M	N/A
Unreserved Fund Balance	\$3.67 M	\$20.24 M



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RIVERSIDE PUBLIC UTILITIES Unrestricted, Undesignated Cash Reserves

	Electric	Water
Beginning Balance – 7/1/2018	\$191 M	\$37 M
Ending Balance – 6/30/2019	\$199 M	\$32 M
Available Line of Credit (LOC)	\$35 M	\$25 M
Minimum Reserve Level – 6/30/2019	\$131 M	\$39 M
Maximum Reserve Level – 6/30/2019	\$209 M	\$59 M
Met Policy Requirements	✓	✓

Water Fund's unrestricted, undesignated reserve balance combined with the line of credit in compliance with RPU Cash Reserve Policy, at 6/30/2019 is above target minimum which is consistent with projections provided during the biennial budget and rate plan proposal processes. The LOC provides flexibility and operating liquidity similar to cash reserve allowing the Water Fund to maintain compliance with RPU Cash Reserve Policy.



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POPULAR ANNUAL FINANCIAL REPORT (PAFR)

1. Received our 2nd PAFR Award from GFOA for FY 2017-18
2. Extracted information from the CAFR and PAFR is unaudited
3. Designed to be easily understandable to the general public
4. Intended for those without a background in public finance
5. Posted on City's website and distributed copies to:
 - A. Finance Committee Meeting
 - B. Concierge Desk
 - C. Main Library
 - D. Public Utilities Customer Service Office (Orange Square)



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RECOMMENDATIONS

That the City Council:

1. Receive the annual audit reports from external independent auditor, Lance, Soll & Lunghard, LLP on the City of Riverside Financial Results for Fiscal Year 2018-2019 as required by the Riverside City Charter; and
2. Reappoint Lance, Soll & Lunghard, LLP, to serve as the City's independent auditor to conduct the annual audit of Fiscal Year 2019/20.



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