



*City of Arts & Innovation*

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# Finance Committee

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**TO: FINANCE COMMITTEE MEMBERS** **DATE: January 18, 2018**

**FROM: FINANCE DEPARTMENT** **WARDS: ALL**

**SUBJECT: REPORT FROM THE OUTSIDE INDEPENDENT AUDITOR ON THE FINANCIAL RESULTS FOR FISCAL YEAR 2016-2017 AND REAPPOINTMENT OF MACIAS, GINI & O'CONNELL L.L.P. AS INDEPENDENT AUDITOR FOR FISCAL YEAR 2017-2018**

## **ISSUES:**

Receive, provide input on, and forward to the City Council the annual audit reports of the City as required by the Riverside City Charter; and reappoint Macias, Gini & O'Connell L.L.P. to serve as the City's independent auditor for fiscal year 2017-2018.

## **RECOMMENDATION:**

That the Finance Committee:

1. Receive, provide input on, and forward to the City Council the annual financial audit reports for fiscal year 2016-2017; and
2. Recommend to the City Council the reappointment of Macias, Gini & O'Connell L.L.P. (MGO), for the final year of their five-year contract, to serve as the City's independent auditor to conduct the annual audit for fiscal year 2017-2018.

## **DISCUSSION:**

The City's independent auditor, Macias, Gini & O'Connell L.L.P. ("MGO"), has completed the fiscal year (FY) 2016-2017 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
8. Popular Annual Financial Report (PAFR)

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.

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 first time ever the City has produced a Popular Annual Financial Report (PAFR). The Government Finance Officers Association 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.

MGO has completed four years of a 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 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. MGO has done a good job with the current year's audit and it is proposed that the City exercise the fifth and final year option to renew their contract.

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, Controller
Certified as to availability of funds:	Adam Raymond, Chief Financial Officer /City Treasurer
Approved by:	Marianna Marysheva, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

### Attachments:

1. Presentation
2. Comprehensive Annual Financial Report (CAFR)
3. Successor Agency Financial Report

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