



City of Arts & Innovation

Financial Performance and Budget Committee

TO: FINANCIAL PERFORMANCE AND BUDGET COMMITTEE MEMBERS

DATE: JANUARY 14, 2022

FROM: FINANCE DEPARTMENT

WARD: ALL

SUBJECT: ANNUAL AUDIT REPORTS FROM EXTERNAL INDEPENDENT AUDITOR, LANCE, SOLL & LUNGHARD, LLP ON CITY OF RIVERSIDE FINANCIAL RESULTS FOR FISCAL YEAR 2020-2021 – DIRECT SUBMITTAL

ISSUES:

Receive the annual audit reports from external independent auditor, Lance, Soll & Lunghard, LLP on the City of Riverside financial results for Fiscal Year 2020-2021 and reappoint Lance, Soll & Lunghard, LLP, to serve as the City's independent auditor to conduct the annual audit of Fiscal Year 2021-2022.

RECOMMENDATIONS:

That the Financial Performance and Budget Committee recommend 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 2020-2021 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 for Fiscal Year 2021-2022.

BACKGROUND:

On April 10, 2019, the Finance Committee conducted interviews for the appointment of a new independent external auditor. The Committee interviewed the top two accounting firms, Vavrinek, Trine, Day & Co., LLP (VTD) and Lance, Soll & Lunghard, LLP (LSL), identified through a formal Request for Proposal process. Following interviews and discussion, the Committee recommended that the City Council appoint Lance, Soll & Lunghard, LLP to serve as the City's independent auditors in accordance with its annual audit requirements for a five-year period, subject to annual reappointments, beginning with the fiscal year ending June 30, 2019.

On June 4, 2019, City Council awarded a Professional Consultant Services Agreement for Certified Public Accountant Services to Lance, Soll & Lunghard, LLP to serve as the City's

independent auditor for a five-year term, subject to annual renewals and appointed Lance, Soll & Lunghard, LLP as the City's independent external auditor for a five-year term, subject to annual renewals.

DISCUSSION:

The City's external independent auditor Lance, Soll & Lunghard, LLP 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 Report on Internal Controls
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 and there were no misstatements detected as a result of the audit procedures and corrected by management which were material, either individually or in the aggregate, to the financial statements taken as a whole. This is a remarkable achievement given the size and complexity of the City.

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 fifth 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 ACFR 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 ACFR.

For the fourth time, the City received an award from GFOA for the 2020 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.

Lance, Soll & Lunghard, LLP has completed its third year of a five-year contract, 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 GFOA. The

Finance department is satisfied with the current year's audit and recommends Lance, Soll & Lunghard, LLP be reappointed for the fourth year of their contract.

Lance, Soll & Lunghard, LLP will provide the attached presentation of required communication with the Financial Performance and Budget Committee and answer any questions.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 – High Performing Government** and **Goal No. 5.2**, Utilize technology, data, and process improvement strategies to increase efficiencies, guide decision making, and ensure services are accessible and distributed equitably throughout all geographic areas of the City.

The item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The financial reports attached enhances transparency regarding the financial situation of the City and closely related agencies.
2. **Equity** – This report is neutral towards this cross-cutting thread.
3. **Fiscal Responsibility** – The financial reports provide fiscal responsibility and accountability to show the current financial situation of the City and closely related agencies.
4. **Innovation** – This report is neutral towards this cross-cutting thread.
5. **Sustainability & Resiliency** – These financial reports communicate and help ensure City funds are used in a sustainable way without compromising future needs.

FISCAL IMPACT:

There is no fiscal impact associated with this report. Funding for the annual audit of Fiscal Year 2021-2022 will be included in the FY 2022-2023 budget.

Prepared by: Nancy Garcia, Controller
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer / City Treasurer
Approved by: Kris Martinez, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Successor Agency Financial Report
2. Riverside Public Financing Authority Financial Report
3. Single Audit Report on Federal Awards
4. Appropriations Limit (Gann) Calculation Agreed-Upon Procedures Report
5. Independent Auditors' Report on Internal Control over Financial Reporting
6. AQMD Report in Internal Controls

7. Required Auditor Communication Letter
8. Popular Annual Financial Report (PAFR)
9. Electric and Water Financial Reports
10. Presentation – Lance, Soll & Lunghard, LLP
11. Presentation – Finance Department
12. Annual Comprehensive Financial Report (ACFR)