



*City of Arts & Innovation*

# Finance Committee

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**TO: FINANCE COMMITTEE MEMBERS** **DATE: DECEMBER 9, 2015**  
**FROM: FINANCE DEPARTMENT** **WARDS: ALL**  
**SUBJECT: REPORT FROM THE OUTSIDE INDEPENDENT AUDITOR ON THE FINANCIAL RESULTS FOR FISCAL YEAR 2014-2015**

## **ISSUE:**

The issues before the Finance Committee are: 1) to receive the annual audit reports of the City as required by the Riverside City Charter; and 2) reappoint Macias, Gini & O'Connell L.L.P. to serve as the City's independent auditor for Fiscal Year 2015/16.

## **RECOMMENDATION:**

That the Finance Committee recommend that the City Council:

1. Receive the reports outlined below; and
2. Reappoint Macias, Gini & O'Connell L.L.P. for year three of their five-year contract to serve as the City's independent auditor to conduct the annual audit of Fiscal Year 2015/16.

## **BACKGROUND:**

The City's independent auditor, Macias, Gini & O'Connell L.L.P. ("MGO"), 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
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. Management Letter Comment

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. As part of the audit process the auditors identify areas that require improvement in processes or controls and make recommendations to improve the process. The Single Audit report identified four such

items related to program compliance, which management has responded to in the form of action plans. The items are administrative in nature, having to do with filing required reports timely and the process for making draws of grant funds. These have been discussed with the responsible City departments (Community Development and Fire), who understand the findings and are making or have made corrections to prevent these findings from being repeated in subsequent periods.

Additionally, as part of the annual financial audit, the auditors provided a management letter comment related to the deficit in the Liability Trust account. City's response to the management letter points out that the deficit is misleading as it overlays long-term liabilities against cash on hand. Nevertheless, staff is in the process of assessing the appropriate level of cash funding for the Liability Trust Fund and will be bringing a proposed policy forward to the Finance Committee after the new year.

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.

MGO has completed two years 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. MGO has done a good job with the current year's audit and it is proposed that they be reappointed to for the third year of 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, Accounting Manager/Controller For Brent A. Mason, Finance Director/Treasurer
Certified as to availability of funds:	Brent A. Mason, Finance Director/Treasurer
Approved by:	Marianna Marysheva-Martinez, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

### **Attachments:**

1. Comprehensive Annual Financial Report
2. Successor Agency 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
8. Management Letter Comment