



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 one of the corrected misstatements and a significant deficiency in internal controls over compliance related to the Single Audit. Further details on these items are provided below.

#### *Revenue Recognition Adjustment (Corrected Misstatement)*

The City recorded an adjustment in the General Fund to properly classify certain accounts receivable as unavailable revenue rather than recognized revenue, in accordance with its period of availability policy. While the City has historically reviewed the largest receivable balances at year-end to determine if they meet the 60-day collection criteria, this adjustment highlighted the need for a more comprehensive review.

In response, the City has enhanced its procedures to ensure that all receivables, regardless of size, are analyzed for cash receipts beyond the 60-day period. This refinement strengthens our financial reporting practices and ensures consistent application of the availability criteria.

#### *Lease Receivable Adjustment (Corrected Misstatement and Material Weakness)*

An adjustment was recorded in the Water Fund to correct an error in the calculation of two lease receivables, along with related accounts and beginning net position. The auditors determined this to be a material weakness in internal controls over financial reporting.

The misstatement originated during the initial implementation of GASB 87 in FY 2021/22, a complex accounting standard that required a review of approximately 440 leases, with over 270 meeting the criteria for GASB 87 reporting. To ensure compliance, the Finance Department engaged an external consultant to assist with the implementation, and the City's external auditors reviewed the leases during the FY 2021/22 audit without identifying discrepancies at that time.

Recognizing the ongoing challenges posed by evolving accounting standards, Finance has since strengthened its internal capacity by hiring additional staff in FY 2023/24 to support compliance and accuracy. Notably, there were no findings related to newly implemented leases or

modifications during the current audit period, demonstrating the effectiveness of these improvements. Management is confident that current processes and procedures provide a strong framework for ensuring the continued accuracy of GASB 87 lease calculations moving forward.

#### Significant Deficiency – Single Audit Report

A significant deficiency in internal controls over compliance was identified in the Single Audit Report related to the reporting of projects under the revenue replacement category for the City's Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), a component of the American Rescue Plan Act (ARPA). Specifically, the project and expenditure reports did not include details on current period and cumulative obligations and expenditures for these projects.

The City has since corrected this reporting in its subsequent submission. On December 5, 2024, City staff met with the U.S. Department of the Treasury to clarify reporting requirements and confirm the appropriate approach for addressing the revenue replacement category. Because the Treasury portal does not allow adjustments to prior-period reports, all revenue replacement projects were fully reported in the fourth quarter project and expenditure report (October - December 2024), ensuring compliance with all required reporting elements.

The City has taken corrective action to address the audit findings and strengthen internal controls. Details of each finding, along with the City's Corrective Action Plan, are provided in the attachment to this report.

#### **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-seventh 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, 2023. Staff is confident that the current ACFR meets all program requirements and has submitted it to the GFOA for consideration again this year.

Additionally, the City has produced its eighth 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 seventh time, the City earned the GFOA's Award for Outstanding Achievement in Popular Financial Reporting for the fiscal year ended June 30, 2023. Staff believes the current report continues to meet the program's criteria and has submitted it to the GFOA for potential certification.

#### **Audit Contract**

CliftonLarsonAllen LLP has completed its first-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.

## **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 City's transparent financial reporting, public availability of audit results, and recognition by the GFOA demonstrate a commitment to accountability and public trust.
2. **Equity** – The publication of financial reports in both English and Spanish ensures accessibility for diverse community members, reinforcing equitable access to City information.
3. **Fiscal Responsibility** – The City's clean audit opinion and continued compliance with GAAP reflect prudent financial stewardship and sound fiscal management.
4. **Innovation** – The City's proactive adjustments to evolving accounting standards, such as GASB 87, and enhancements to internal financial controls illustrate adaptability and forward-thinking financial management.
5. **Sustainability & Resiliency** – Strengthening internal audit processes, hiring additional staff for compliance, and ensuring long-term accuracy in financial reporting contribute to the City's financial resilience and long-term sustainability.

## **FISCAL IMPACT:**

There is no fiscal impact associated with this report. Funding for the annual audit of FY 2024/25 is included in the FY 2025/26 budget.

Prepared by: Ryan Carter, Controller  
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Certified as to  
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer  
Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer/  
City Treasurer  
Approved as to form: Jack Liu, Interim City Attorney

### Attachments:

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. Corrective Action Plan

7. Air Quality Management District Report
8. Appropriations Limit (Gann) Calculation Agreed-Upon Procedures Report
9. Independent Auditors' Report on Internal Control over Financial Reporting
10. Governance Letter
11. Popular Annual Financial Report (PAFR) - English
12. Popular Annual Financial Report (PAFR) - Spanish
13. Presentation – Finance Department
14. Presentation – CliftonLarsonAllen LLP