

**DATE:** May 12, 2020

**TO:** Honorable City Councilmembers

**FROM:** Eric S. Vail, Interim City Attorney

**RE:** Council Action Necessary on Fiscal Year 2018-19 Audit Results and receive and file the Fiscal Year 2018-19 Comprehensive Annual Financial Report and Related Documents.

---

### **RECOMMENDATION**

That the City Council formally, by motion, second, and vote of the Councilmembers, accept the Fiscal Year 2018-19 Audit Results and receive and file the Fiscal Year 2018-19 Comprehensive Annual Financial Report and Related Documents.

### **BACKGROUND**

During its regular meeting on April 28, 2020, the City Council considered the following documents as part of its last agenda item:

- Comprehensive Annual Financial Report, fiscal year end June 30, 2019 (CAFR)
- Single Audit Report on Federal Award Programs (SAR)
- Appropriations Limit Worksheet with Independent Accountant's Report on Agreed Upon Procedures Applied to the Appropriations Limit Worksheet
- Communication with those Charged with Governance Letter

The action requested for these items was to "accept" the CAFR and to "receive and file" SAR as well the other two documents noted above. While there was some discussion of these documents at the prior meeting, there was no formal motion, second, or vote to accept the CAFR or to receive and file the other three documents.

### **ANALYSIS/DISCUSSION**

The CAFR related documents are part of the accepted accounting review and comment process intended to advise City Councilmembers and the members of their community regarding the fiscal strength, integrity and validity of the City's financial system. These reports provide information about the strength or weakness of existing financial processes, internal controls, and management of the city's finances. They are also the primary mechanism to alert, and allow the correction of, deficient processes and practices, or in the worst case misuse of funds. The CAFR also allows the city to satisfy its obligation under Government Code sections 4084 and 53891 to submit its financial transactions (also known as the Financial Transactions Report) to the State Controller's Office. The SAR is required of any entity receiving federal funds.

Based on the above, it is important for City Councilmembers to review these documents in detail and to ask questions as necessary, but also to formally take action to accept (in the case of the CAFR) and to receive and file the SAR and related documents. Doing so provides an appropriate level of oversight for the management of the City's fiscal and financial affairs and helps to provide public confidence in the City's financial system. A motion, second, and vote to accept the CAFR and to receive and file the SAR and other documents is the Council's official statement to the public that this process has been completed.

For these reasons, the City Attorney's Office recommended to the City Manager that these items be placed on the consent calendar for the Council to formally accept and receive and file as noted above.