



# City of Rialto

## Legislation Details (With Text)

**File #:** 20-0296 **Version:** 1 **Name:**  
**Type:** Agenda Item **Status:** Agenda Ready  
**File created:** 4/9/2020 **In control:** City Council  
**On agenda:** 4/28/2020 **Final action:**  
**Title:** Request City Council, Rialto Housing Authority, Rialto Utility Authority and Successor Agency to Accept the Fiscal Year 2018-19 Audit Results and Receive and File the Fiscal Year 2018-19 Comprehensive Annual Financial Report and Related Documents.  
(ACTION)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. FINAL DRAFT - 2019 FINANCIAL STATEMENTS\_2020-04-16.pdf, 2. FINAL DRAFT-2019 SINGLE AUDIT REPORT.PDF, 3. DRAFT 2019 APPROPRIATIONS LIMIT REPORT\_2020-04-16.pdf, 4. DRAFT 2019 GOVERNANCE COMM LETTER\_2020-04-16.pdf

Date	Ver.	Action By	Action	Result
4/28/2020	1	City Council		

For City Council Meeting [April 28, 2020]

**TO:** Honorable City Council

**APPROVAL:** Rod Foster, City Manager

**FROM:** Stephen Erlandson, Deputy City Manager

Request City Council, Rialto Housing Authority, Rialto Utility Authority and Successor Agency to Accept the Fiscal Year 2018-19 Audit Results and Receive and File the Fiscal Year 2018-19 Comprehensive Annual Financial Report and Related Documents.  
(ACTION)

### **BACKGROUND**

In order to meet the guidelines set forth in Statement No. 1 of the Governmental Accounting Standards Board (GASB), following the close of each fiscal year the City's external auditors conduct an audit of the City's financial records and assist in the compilation of the Comprehensive Annual Financial Report (CAFR). The audit is conducted in conformity with the Generally Accepted Auditing Standards (GAAS) which require that the independent auditor firm plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and examines evidence to support the amounts and disclosures in the financial statements. Once complete, an opinion is issued on the fairness of the presentation of the financial position and the results of operations of the financial statements of the City, in conformity with Generally Accepted Accounting Principles (GAAP) as applicable to local governments.

### **ANALYSIS/DISCUSSION**

The annual audit for the fiscal year ended June 30, 2019 has been completed by Teaman, Ramirez &

Smith, Inc. The unmodified, or “clean”, opinion given in the Independent Auditors’ Report states that “the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rialto, California, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America”. Attached are the following items:

- Comprehensive Annual Financial Report for fiscal year end June 30, 2019
- Single Audit Report on Federal Award Programs (Single Audit Report)
- 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

#### Comprehensive Annual Financial Report

This document is a thorough and detailed presentation of the City’s financial state and includes financial statements on the fiscal year’s activities and balances that are audited by the City’s independent auditors. The CAFR is presented in three sections including the introductory, financial, and statistical sections.

#### Single Audit Report on Federal Award Programs (Single Audit Report)

This document consists of two parts of reporting of internal controls. The first defines the opinions of the auditors regarding internal control over financial reporting. The second is compliance requirements with respect to the City’s federal financial assistance.

#### Appropriations Limit Worksheet with Independent Accountant’s Report on Agreed Upon Procedures Applied to the Appropriations Limit Worksheet

The auditors have prepared this letter in accordance with standards established by the American Institute of Certified Public Accountants.

#### Communication with those Charged with Governance Letter

This letter communicates to the City Council any significant audit matters such as qualitative aspects of accounting practices, difficulties encountered in performing the audit, corrected and uncorrected misstatements, disagreements with management, management representations, and any other audit findings if they occurred during the audit process.

On February 11, 2020, former City Attorney Fred Galante reported out of closed session that the City Council authorized the City Manager to execute an agreement with Teaman, Ramirez and Smith, Inc. to perform an Agreed Upon Procedures (AUP) engagement to provide an additional in-depth audit-like review of the City’s Community Development Block Grant (CDBG), Proposition 47, and Homeless Emergency Aid Program (HEAP) grant programs based on the nature of the audit findings related to grant administration contained in the Fiscal Year 2018-19 audit. The AUP report will be provided to the City Council upon completion of the AUP engagement tentatively scheduled for July 2020.

#### **ENVIRONMENTAL IMPACT**

The action is exempt from California Environmental Quality Act (CEQA) pursuant to Section 15378(b) (5) of the CEQA Guidelines because the preparation of a budget plan is a governmental administrative activity that will not result in direct or indirect physical changes in the environment.

### **GENERAL PLAN CONSISTENCY**

General Plan Guiding Principle 3 - Rialto's Economic Environment Is Healthy and Diverse - specifically, our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

### **LEGAL REVIEW**

The City Attorney has reviewed and supports this staff report.

### **FINANCIAL IMPACT**

#### **Operating Budget Impact**

The Fiscal Year 2018-19 Audited Financial Statements are recommended to be received and filed into the City records. There is no direct financial impact related to this action.

#### **Capital Improvement Budget Impact**

There is no financial impact to the capital improvement budget as a result of the approval of this item.

### **RECOMMENDATION**

Staff recommends that the City Council, Rialto Housing Authority, Rialto Utility Authority and Successor Agency to Accept the Fiscal Year 2018-19 Audit Results and Receive and File the Fiscal Year 2018-19 Comprehensive Annual Financial Report and Related Documents.