

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ALAN ALTON, ACTING CHIEF FINANCIAL OFFICER
SUBJECT: ACCEPTANCE OF FY 2016-17 COMPREHENSIVE ANNUAL
FINANCIAL REPORT, HOUSING AUTHORITY FINANCIAL
REPORT, AND SINGLE AUDIT REPORT

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by the Finance Department that the City Council, by motion, accept the Fiscal Year (FY) 2016-17 Comprehensive Annual Financial Report (CAFR), the FY 2016-17 Housing Authority Financial Report, and the FY 2016-17 Single Audit Report.

EXECUTIVE SUMMARY

Each year, the City submits its financial records to an independent auditor for review. Collectively those audited financial records are called the Comprehensive Annual Financial Report, or CAFR. A similar report is created for the Housing Authority at the same time. Additionally, a Single Audit is required to be completed for any government agency that received \$750,000 or more in federal funding. This item formally presents the FY 2016-17 CAFR, the FY 2016-17 Housing Authority Financial Report, and the FY 2016-17 Single Audit to the City Council, and provides context relative to the audit process, as well as a general outline of the financial reports.

BACKGROUND

The City Charter establishes that the City's financial records be audited annually by an independent certified accounting firm using generally accepted auditing standards for the United States. The audit of the FY 2016-17 financial records was performed by Macias Gini & O'Connell, LLC, and the resulting report is called the Comprehensive Annual Financial Report, or CAFR. In addition to auditing the City's financial records, the independent auditor also issues a report on Housing Authority financial statements, and a report on programs receiving federal funding, called a Single Audit report. While the CAFR and Housing Authority reports are due by December 31, the Single Audit report is not due until March 31.

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PRIOR CITY COUNCIL REVIEW

The reports were presented to the Long Term Financial Policy and Audit sub-committee on June 14, 2018, which referred the reports to the City Council for acceptance.

ANALYSIS

In the opinion of the independent auditor, the City's financial statements were "presented fairly", meaning the financial statements reflect appropriately the financial activity for the fiscal year ending June 30, 2017.

There are two components of the audit. The interim audit takes place prior to the fiscal year-end close, and involves the auditors reviewing internal control procedures and setting a basis for testing later in the audit process. The main audit starts when the Finance Department submits its financial statements, usually around early to mid-September. The auditor reviews the statements and spends approximately one month on-site, usually in October, testing transactions and financial system entries based on the interim audit. The CAFR is completed each year by December 31. The October 2017 wildfires caused a delay in on-site testing, resulting in the City requesting, and receiving, extensions until February 28 to complete these reports.

Each year, the CAFR is submitted to the Government Financial Officers Association (GFOA) award program, where it is reviewed for the Certificate of Achievement for Excellence in Financial Reporting Program. This program recognizes governments that succeed in going beyond the minimum requirements of generally accepted accounting principles, and prepare comprehensive annual financial reports in the spirit of transparency and full disclosure. The City has received the Certificate of Achievement every year it has submitted its report for the award, and expects to receive the Certificate for the FY 2016-17 CAFR, as well.

The CAFR is divided into three sections: the Introductory, Financial, and Statistical sections. The Introductory section includes the Letter of Transmittal; the Certificate of Achievement Award; the City's Principle Officers, Boards and Commissions, and Committees and Subcommittees; and an organization chart. The Financial section contains the Independent Auditor's Report, Management's Discussion and Analysis, Financial Statements, and Required Supplementary Information. The Statistical section is not audited and consists of numerous statistical and informational tables that show financial trends and demographic information.

Single Audit

The Single Audit is required to be completed for any government agency that received \$750,000 or more in federal funding. The audit looks at all Federal grant funds and the auditors select several grants for a more detailed review to ensure the agency is correctly accounting for the funds as well as correctly charging expenditures to the grant. The

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Single Audit includes a comprehensive review of the financial records and the internal control procedures in place with safeguard the Federal funds. The FY 2016-17 Single Audit states that the City complied with the compliance requirements that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Current and archived financial statement reports including the CAFR, the Housing Authority Financial Statements, and the Single Audit are located online on the Finance Department's website, under the section for Financial Documents and Reports (www.srcity.org/departments/finance/financedocs/Pages/default.aspx).

FISCAL IMPACT

There is no fiscal impact relative to this item.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- [Attachment 1 – CAFR](#)
- [Attachment 2 – HAFR](#)
- [Attachment 3 – Single Audit](#)

CONTACT

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