



# STAFF REPORT

## CITY of YORBA LINDA

**FINANCE DEPARTMENT**

**DATE: FEBRUARY 15, 2022**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: DIANNA HONEYWELL, FINANCE DIRECTOR / CITY TREASURER**

**SUBJECT: FISCAL YEAR 2020/21 ANNUAL COMPREHENSIVE FINANCIAL REPORT**

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### **RECOMMENDATION**

It is recommended that the City Council receive and file the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021, and related reports from the City's independent auditors.

### **FINANCE COMMITTEE RECOMMENDATION**

The Finance Committee met on February 1, 2022, to discuss the ACFR and recommended that the City Council receive and file the report and the related reports from the City's independent auditors.

### **BACKGROUND**

The City, the Municipal Financing Authority, the Housing Authority, and the Successor Agency to the former Redevelopment Agency are audited annually by an independent auditing firm. Only the City is required to prepare financial statements under accounting standards, while the other entities are not required to prepare separate financial statements. These entities are therefore included within the audited financial statements of the City as blended component units, other than the Successor Agency, which is included as a private purpose fund. The audit process takes several months, beginning after the books are closed (typically in September), and concluding several months later once the financial statements have been prepared.

### **DISCUSSION**

The independent auditing firm of Macias Gini & O'Connell, LLP (MGO), has completed their audit of the City for the year ended June 30, 2021. This audit was the first year of two optional one-year extensions (after an initial three-year contract) with the firm. MGO was selected following a competitive RFP process four years ago based on their extensive qualifications and experience with audits for California cities. As part of the contract with MGO, as was the case with the City's prior auditors, the City's financial statements have been prepared by the auditors with significant input from staff, particularly regarding the notes to the financial statements. Management's Discussion and Analysis included at the

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beginning of the ACFR, has been prepared by staff to summarize significant aspects of this year's financial activity and changes versus the prior year. While elements of the ACFR have been prepared by the auditors, it is management's responsibility to review, edit and stand behind the financial statements, as well as the related notes and other disclosures.

Within the ACFR is the Independent Auditor's Report, which includes their opinion that the financial statements are fairly presented in conformity with generally accepted accounting principles (a "clean" opinion). Also attached are 1) the Management Report and Auditor's Communication Letter, which provides additional information regarding the results of the audit that are not contained in the Independent Auditor's Report found in the ACFR, and 2) the auditor's report validating the City's calculation of its fiscal year 2021/22 appropriations limit.

### **FISCAL IMPACT**

There is no direct fiscal impact associated with this report. The cost of the annual audit is included in the adopted budget.

### **ATTACHMENTS**

1. ACFR for Fiscal Year Ended June 30, 2021
  2. Management Report and Auditor's Communication Letter
  3. Auditor's Report on the Calculation of the Fiscal Year 2020/21 Appropriation Limit
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