



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
January 18, 2022

TOPIC: Fiscal Year 2020-21 Annual Comprehensive Financial Report, Related Audit Reports, and Measure X Agreed-Upon-Procedures Report

AGENDA TITLE:

Receive and File – Fiscal Year 2020-21 Annual Comprehensive Financial Report, Related Audit Reports, and Measure X Agreed-Upon-Procedures Report

RECOMMENDED ACTION

Receive and file the following audited and separately issued reports for the Fiscal Year Ended June 30, 2021:

1. The Auditor's unmodified "clean" opinion letter for the fiscal year 2020-21 Audited Financial Statements included in the Annual Comprehensive Financial Report (ACFR)
2. Government Auditing Standards (GAS) Letter
3. Governance Letter
4. Air Quality Management District (AQMD) Audited Financial Statements
5. The Auditor's report on the Appropriations Limit (GANN Limit)
6. The Auditor's report on compliance with the Statement of Investment Policy
7. Measure X Agreed-Upon-Procedures Report

DISCUSSION

The Finance and Management Services Agency – Accounting Division (Accounting Division) is the lead on various audit and separately issued reports compiled and prepared by the City's Independent Auditor, CliftonLarsonAllen LLP. Outlined below is a list of the reports and related status.

AUDIT REPORTS:

Audited Financial Statements – Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021

Annually, the Accounting Division prepares an ACFR, which includes the City's audited financial statements and statistical information for each fiscal year. The ACFR is prepared in accordance with the Generally Accepted Accounting Principles (GAAP), along with the reporting requirements of the Governmental Accounting Standards Board (GASB). The City's independent public accounting firm, CLA, audits the financial statements, reviews other financial items at the City's request, and issues reports.

The Accounting Division is pleased to report that the City received an unmodified opinion commonly known as a clean opinion, which is considered the most favorable conclusion for the audit. The unmodified opinion indicates that the City's financial statements present fairly, in all material respects, the financial position of the City, changes in financial position, and cash flows for the fiscal year ended June 30, 2021 (Exhibit 1).

The ACFR for the fiscal year ended June 30, 2021 is posted and available on the City's website (<https://www.santa-ana.org/finance/annual-comprehensive-financial-reports-and-other-financial-reports>) along with prior fiscal years. The report was submitted to the Government Finance Officer Association's Certificates of Achievement for Excellence in Financial Reporting Program. The award is the highest form of recognition in governmental accounting and financial reporting. The City has received this prestigious award for 43 consecutive years.

In addition to the audit opinion, CLA issued the following communication letters:

Government Auditing Standards (GAS) Letter (Exhibit 2)

Auditor's communication of reportable conditions based on their review of the City's internal controls over financial reporting and on compliance. The results of their review disclosed no instances of noncompliance for the fiscal year 2020-21.

Governance Letter (Exhibit 3)

Formal communication from the auditor to the City Council, which discloses information related to the audit, including but not limited to the City's accounting practices and implementation of new accounting rules and estimates.

Audit of the City's Air Quality Management District (AQMD) Financial Statements (Exhibit 4)

Under *Assembly Bill 2766 Chapter 1705 [California Health and Safety Code (CHSC) Sections 44220 through 44247]*, cities and counties receiving the AB 2766 funds are required to separately account for the revenue and to expend the revenue for air pollution reduction measures. The AQMD audit report reflects the City's compliance to such measures.

The Accounting Division is pleased to report that the City received an *unmodified opinion (clean)* on the AQMD audit report and no compliance findings were noted.

Single Audit Report – Not Included Herein

The City is also required to have a Single Audit of federal financial assistance by March 31 following each fiscal year. Staff expects the Single Audit Report will be issued during February 2022 and will be presented to the City Council shortly thereafter.

SEPARATELY ISSUED REPORTS:

In addition to the ACFR and the AQMD reports, CLA performed the following Agreed-Upon Procedures (AUP) examinations.

Appropriation Limit Calculations, also known as GANN Limit (Exhibit 5)

The GANN limit established the appropriations limit on expenditures for publicly funded programs in accordance with Section 1 of Article XIII of the California Constitution.

The Accounting Division is pleased to report that no findings were noted as a result of this AUP Review.

City's Compliance with the Statement of Investment Policy (Exhibit 6)

The City elected to have the auditor confirm the City's compliance with its Investment Policy.

The Accounting Division is pleased to report that no findings were noted as a result of this review.

Measure X Agreed-Upon-Procedures Report (Exhibit 7)

In accordance with SAMC 35-216, staff has prepared an annual report that includes the list of expenditures made with Measure X money for FY 2020-21. In accordance with SAMC 35-215, the City's independent auditor has reviewed the annual report prepared by staff, verified the numbers presented, and opined the numbers are fairly stated. On December 8, 2021, the audit engagement partner presented the report to the Measure X Citizens Oversight Committee, in accordance with Section 6 of Resolution No. 2019-008 (the Committee's establishing resolution). Staff expects that the Committee will prepare its annual report and make recommendations to the City Council in time for the budget process, in accordance with the same establishing resolution.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

FISCAL IMPACT

There is no fiscal impact associated with this action.

EXHIBIT

1. Audit Opinion Letter
2. Government Auditing Standards (GAS) Letter
3. Governance Letter
4. Air Quality Management District (AQMD) Report
5. GANN Limit Agreed-Upon Procedures Report
6. Investment Policy Agreed-Upon Procedures Report
7. Measure X Agreed-Upon Procedures Report

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