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Title: Submission and Acceptance of the City of Fresno Annual Comprehensive Financial Report (ACFR) and Annual Comprehensive Dept Report (ACDR) for Fiscal Year 2023

Sponsors: Finance Department

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Attachments: 1. City of Fresno Annual Comprehensive Financial Report, 2. City of Fresno Annual Comprehensive Debt Report, 3. Single Audit and Independent Auditors' Reports

Date	Ver.	Action By	Action	Result
4/4/2024	1	City Council	APPROVED	Pass

REPORT TO THE CITY COUNCIL

FROM: SANTINO DANISI, MBA, Finance Director/City Controller
Finance Department

SUBJECT

Submission and Acceptance of the City of Fresno Annual Comprehensive Financial Report (ACFR) and Annual Comprehensive Dept Report (ACDR) for Fiscal Year 2023

RECOMMENDATION

Staff recommends that the City Council accept the ACFR and ACDR reports for the fiscal year ended June 30, 2023.

EXECUTIVE SUMMARY

The Annual Comprehensive Financial Report is a set of financial statements prepared in conformity with Governmental Accounting Standards Board (GASB) and detail the financial activities of the City of Fresno for the year ended June 30, 2023. The statements are audited to determine whether they have been presented fairly without any material misstatements. Management is responsible for the preparation and presentation of the statements in accordance with accounting principles generally accepted in the United States of America. The auditor's opinion concludes that the financial statements are, in fact, presented fairly in all material respects resulting in an unmodified opinion, which is the highest quality opinion available.

The Annual Comprehensive Debt Report is included for City Council acceptance. This report is produced in accordance with Debt Management policies and provides an overview of the City of

Fresno's debt management for fiscal year ended June 30, 2023.

BACKGROUND

All governmental or public entities are required to prepare annual financial statements and have them audited. These financial statements are compiled to form the ACFR. The ACFR is an informative tool highlighting an agency's financial activity and viability. This report is used by various policy makers, investors, citizens or external agencies to make informed conclusions regarding the financial health of an organization.

As required by the City Charter the statements are audited. Additionally, the ACFR report and necessary disclosures are published to the Electronic Municipal Market Access (EMMA®) system, the official repository for financial and other information for municipal bonds. Lastly, the report will be filed with the Government Finance Officers Association (GFOA) for participation in their Certificate of Achievement in Excellence in Financial Reporting.

In accordance with Government Auditing Standards, the City of Fresno financial statements were audited by The Pun Group Accountants and Advisors who issued their report on March 20, 2024. The issued report opinion is unmodified, which is the highest quality opinion available. This means the statements were presented fairly, in all material respects, and were prepared in accordance with principles generally accepted in the United States of America.

The auditors also issued a report dated March 20, 2023, regarding the City's internal control over financial reporting and tests of compliance. This report is an integral component of the audit performed in accordance with Government Auditing Standards in considering internal controls and compliance. The auditors did not identify a material weakness, which would otherwise indicate a deficiency such that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. The auditors did identify one deficiency in internal controls, which is described in the schedule of findings and questioned costs and is considered to be a significant deficiency, less severe than a material weakness yet called to attention.

Finding 2023-001 Improve Internal Controls Over Financial Reporting, describes that the City did not properly complete the bank reconciliation for the audit scope period in a timely manner. Reconciliations and adjustments to year-end balances that occur after the preparation of the fiscal year report decreases the reliability and usefulness of these reports. In addition, not following policies and procedures regarding internal control over individual transaction cycles could lead to inconsistency in processing transactions and increase the risk that errors will not be detected and corrected in a timely manner. Due to the change in the accounting system on July 1, 2023, the City did not have a systematic method for ensuring that the timely reconciliation of the bank accounts was completed monthly. Furthermore, the bank reconciliation module within the Tyler Munis financial system was deemed ineffective. As a result, the Treasury Unit is working on developing a manual reconciliation process that will occur outside of the accounting system to ensure timeliness of all bank reconciliations moving forward.

The auditors also reviewed the significant deficiencies that were identified in the prior year to ensure that the management corrective action plan was implemented and that no further risk related to these areas existed. Based on the auditors' review, it was determined that the corrective action plan for Finding 2022-001 (Internal Control Over Financial Reporting) and Finding 2022-002 (Internal Control over Preparation of Schedule of Expenditures of Federal Awards) were implemented successfully;

thus, no additional corrective measures are needed to address these deficiencies.

ENVIRONMENTAL FINDING

By the definition provided in the California Environmental Quality Act (CEQA) Guidelines Section 15378, these recommendations do not qualify as a “project” as defined by CEQA.

LOCAL PREFERENCE

Local preference was not a factor since there is no bid involved, nor is State or federal funding involved with this item.

FISCAL IMPACT

This report relates only to the submission of informational financial accounting data and calls for no approval for spending or acceptance of receipts.

Attachments:

City of Fresno Annual Comprehensive Financial Report

City of Fresno Annual Comprehensive Debt Report

Single Audit and Independent Auditors' Reports