



**CITY OF NEWPORT BEACH
FINANCE COMMITTEE
STAFF REPORT**

Agenda Item No. 5A
January 13, 2022

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
Scott Catlett, Finance Director/Treasurer
949-644-3213, scatlett@newportbeachca.gov

**SUBJECT: FINANCIAL STATEMENT AUDIT RESULTS AND RELATED
COMMUNICATION**

SUMMARY:

The City is audited annually by an independent auditing firm, presently Davis Farr LLP. 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. A copy of the city's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021, has been provided to the Committee and is attached to this report. Also attached are the auditors' required communications with the Finance Committee in their capacity as the City's Audit Committee and the auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

RECOMMENDED ACTION:

Receive and file.

DISCUSSION:

The auditors' opinion letter can be found within the ACFR (Attachment A), which reflects an unmodified or "clean" audit opinion, meaning that the financial statements are presented fairly, in all material respects, and in conformity with generally accepted accounting principles.

The first letter, included as Attachment B, is intended to communicate to the Finance Committee and the City Council matters of particular significance as required by auditing standards. These include:

- Qualitative Aspects of Accounting Practices
- Difficulties Encountered in Performing the Audit
- Corrected and Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultations with Other Independent Accountants
- Other Audit Findings or Issues

The auditors reported no significant difficulties encountered in connection with the performance of the audit, no material corrected and uncorrected misstatements, no disagreements with management, and no other audit findings or issues.

The second letter, included as Attachment C, is intended to communicate information regarding deficiencies in internal control, instances of non-compliance, and other related matters as required by auditing standards. The auditors did not identify any deficiencies in internal control that would need to be communicated to the Committee, nor did they identify any instances of noncompliance or other matters to report.

The Single Audit, a compliance audit of federally assisted grant programs, is still ongoing. While no audit findings are anticipated as a result of the Single Audit, staff will communicate any findings, should they occur, to the Finance Committee at a future meeting.

Representatives of Davis Farr LLP will be present for the Finance Committee meeting and will make a presentation regarding the results of their audit of the City's financial statements. Staff and the auditors will then be available for questions from the Committee and the public. Additionally, should the Committee wish to discuss any matters related to the Fiscal Year 2020-21 Audit with the auditors without staff present, such an opportunity can be afforded at the conclusion of the item.

Prepared by:

/s/ Trevor Power

Trevor Power

Accounting Manager

Submitted by:

/s/ Scott Catlett

Scott Catlett

Finance Director/Treasurer

Attachments:

A. Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021

- B. Auditor's Required Communications with the Audit Committee
- C. Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters