



**STAFF REPORT  
HOLLISTER CITY COUNCIL  
MEETING DATE: January 5, 2026  
REPORT # Finance-2026-02**

**AGENDA ITEM: FORMALLY RECEIVE AND ACCEPT THE FINAL DRAFT OF THE FISCAL YEAR (FY) 2021-22 ANNUAL AUDIT**

**DEPARTMENT:** Administrative Services

**DEPARTMENT HEAD:** Jim Pia, Interim City Manager

**STAFF CONTACT:** Delia Pichardo, Accounting Manager

**RECOMMENDED ACTION:** Formally receive and accept the final draft of the FY 2021-22 annual audit, including the Annual Comprehensive Financial Report (ACFR) and Single Audit.

**DISCUSSION:** The City of Hollister prepares an Annual Comprehensive Financial Report (ACFR) covering a twelve-month period from July 1 through June 30, commonly referred to as the City's fiscal year. The ACFR presents the City's financial position and results of operations in accordance with generally accepted accounting principles and applicable governmental accounting standards. Unfortunately, the City is behind in the completion of the audits, which are done one year at a time. It is important that the City catch up in this process as audits help to ensure transparency and accountability in managing financial resources and provide information on the city's financial picture. Being up to date in the audit process ensures that resources are effectively allocated and the process can help to identify potential risks in city finances or shortfalls in certain revenue sources. Having completed audits are also vital for grant applications and maintaining good credit ratings.

The City's financial statements are audited annually by an independent firm of Certified Public Accountants (CPAs) to provide an objective opinion on whether the financial statements are presented fairly, in all material respects. For Fiscal Year 2021–22, the city engaged MUN CPAs as its external auditor to conduct the audit.

The scope of the annual audit includes the City's basic financial statements, which consist of government-wide financial statements, fund financial statements, and the accompanying notes to the financial statements. The auditors plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether caused by error or fraud, and to express an independent opinion on the City's financial reporting.

The City Council is being asked to formally receive and accept the annual audit for Fiscal Year 2021–22. Acceptance of the audit signifies that the Council has received the report and acknowledges the auditor's opinion and findings.

City staff worked collaboratively with the external auditors to complete the Fiscal Year 2021–22 audit. The audit identifies certain deficiencies and areas for improvement in internal controls and financial processes. Copies of the audit report will be provided to all department heads, and under the leadership of the City Manager's Office and the

Administrative Services Department, the City has begun implementing corrective actions to address the identified findings and strengthen internal controls and financial reporting practices.

One of the audit findings relates to delays in completing the City's annual audits. Staff has initiated corrective measures to improve timeliness and bring the city back into compliance with expected audit schedules, including commencing work on the next outstanding audit for Fiscal Year 2022–23.

In addition, the city is in the process of sourcing a new external auditing firm to begin the Fiscal Year 2022–23 audit as quickly as possible. Staff intend to establish a clear and robust audit timeline with the new firm to address past delays, complete outstanding audits, and restore the City to a current and sustainable annual audit cycle moving forward.

**FISCAL IMPACT:** There is no fiscal impact associated with receiving and accepting the Fiscal Year 2021–22 Annual Comprehensive Financial Report.

**PREVIOUS COUNCIL OR COMMISSION ACTION:** The City Council received the FY 2021 audit at the May 21, 2024, Council Meeting.

**CEQA:** N/A – Not a project.

**ATTACHMENTS:**

1. FY 2021-22 ACFR
2. FY 2021-22 Audit Conclusion Letter
3. FY 2021-22 Gann Report
4. FY 2021-22 Management Letter
5. FY 2021-22 Single Audit and Related Reports