



April 21, 2020

Agenda

- Scope of Engagement
- Summary of Audit Results
- Financial Reporting Highlights
- Comments and Recommendations for Management
- Required Communications to the City Council

Scope of Engagement

- ❑ **Financial Statement Audit** - in accordance with generally accepted governmental auditing standards

The City's federal awards expenditures was below \$750K in FY 2019, therefore, ***Single Audit was not required.***

Vasquez & Company LLP meets the independence requirements of the *Government Auditing Standards* as it relates to the City.

SUMMARY OF AUDIT RESULTS

Report of Independent Auditors

Unmodified Opinion on Financial Statements

The financial statements fairly present, in all material respects, the City's financial position and changes in net position

- The supplemental combining financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

No material weaknesses and significant deficiencies were noted on Internal Control over Financial Reporting

Comments and Recommendations – See separate report to Management and the City Council.

Financial Reporting Highlights

- ❑ **General Fund's fund balance** was \$1,536,838 as of June 30, 2019. This was a decrease of \$324 thousand from the \$1,860,495 fund balance at June 30, 2018. This decrease was higher than the projected revenue deficit of \$9 thousand for the fiscal year 2019.
- ❑ **General Fund's spendable fund balance** which consists of unassigned fund balance was \$1,024,657 as of June 30, 2019, a decrease of \$284 thousand from prior year.
- ❑ At the end of the year, General Fund's unassigned fund balance of \$1,024,657 represents 12% of total general fund expenditures, or approximately 1.5 months of General Fund operating expenditures.
- ❑ Total **General Fund expenditures** for the fiscal year was \$8.4 million. While this was \$600 thousand higher than prior year's total General Fund expenditures of \$7.8 million, this was lower than the total budgeted general fund expenditures of \$9 million for the fiscal year 2019.
- ❑ **Unfunded Net Pension Liability** at 6/30/19 was \$3.4 million, a decrease of \$100 thousand from \$3.5 million in the prior year.
- ❑ **Net OPEB liability** at June 30, 2019 was \$2.1 million, a decrease of \$600 thousand from \$2.7 million in the prior year.

Comments and Recommendations for Management

1. Delay in monthly reporting and reconciliation process
2. Recruitment of a qualified and experienced government accountant
3. Update of the City's Policies and Procedures Manual
4. Develop written policies and procedures for federal awards administration in accordance with the Uniform Guidance
5. Financial Planning for the City
6. Year-end closing process

Required Communications

- ❑ **Management's Responsibility** - Management has primary responsibility for the financial statements, the accounting principles used, their consistency, application and clarity.
- ❑ **Consultations with Other Accountants** - We are not aware of any consultations by management with other accountants about accounting or auditing matters.
- ❑ **Difficulties with Management** - We did not encounter any difficulties with management while performing our audit procedures.
- ❑ **Disagreements with Management** - We encountered no disagreements with management on financial accounting and reporting matters.
- ❑ **Significant Accounting Policies** - The City's significant accounting policies are appropriate, and were consistently applied.

Required Communications (Continued)

- ❑ **Controversial Issues** - No significant or unusual transactions or accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus were identified.
- ❑ **Audit Adjustments** - Management has recorded all identified proposed adjustments noted during our audit. Those adjustments mostly pertain to adjustments of Successor Agency account balances and adjustments related to GASB 68 and 75 reporting.
- ❑ **Conditions of Retention** - No significant issues were discussed, or subject to correspondence, with management prior to retention.
- ❑ **Irregularities, Fraud or Illegal Acts** - No irregularities, fraud or illegal acts came to our attention as a result of our audit procedures.
- ❑ **Management Representations** - The City provided us with a signed copy of the management representation letter prior to issuance of auditors' opinions.

New Accounting Pronouncements – Effective in Future Years

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2019, that have effective dates that may impact future financial presentations.

GASB 84 – *Fiduciary Activities*. Effective for periods beginning after December 15, 2018.

GASB 87 – *Leases*. Effective for periods beginning after December 15, 2019.

GASB 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for periods beginning after December 15, 2019.

GASB 90 – *Majority Equity Interest* – an amendment of GASB Statements No. 14 and No. 61. Effective for periods beginning after December 15, 2018.

Questions?

**THANK YOU FOR YOUR TIME
AND ATTENTION**

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