



# PRESENTATION TO THE COUNCIL OF THE CITY OF SIMI VALLEY

March 9, 2020

# Agenda

- Scope of Engagement
- Levels of Assurance
- The Audit Team
- Summary of Audit Results:
  - Our Reports/Opinions:
    - ✓ On the Financial Statements
    - ✓ On Internal Controls over Financial Reporting
    - ✓ On Compliance with Laws and Regulations
    - ✓ Pursuant to the Single Audit Act (Federal Programs)
- Financial Reporting Highlights
- Required Communications to the City Council
- New Accounting/Auditing Pronouncements

# Scope of Services

City's Basic Financial Statements

***The Financial Statement Audit***

City's Comprehensive Annual Financial Report (CAFR)

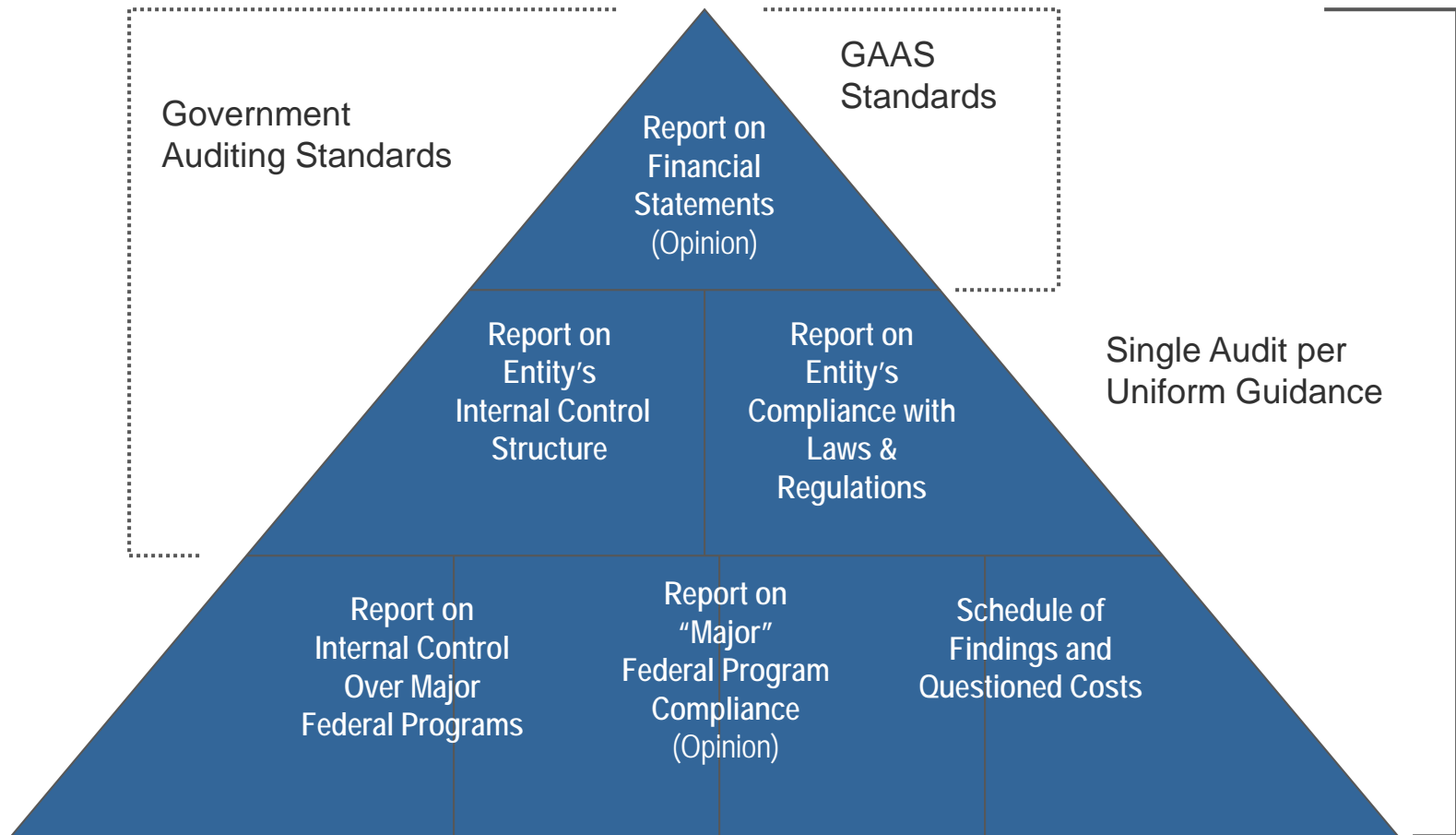
Audit of Major Federal Grant Programs in accordance with the Uniform Guidance –

***The Single Audit***

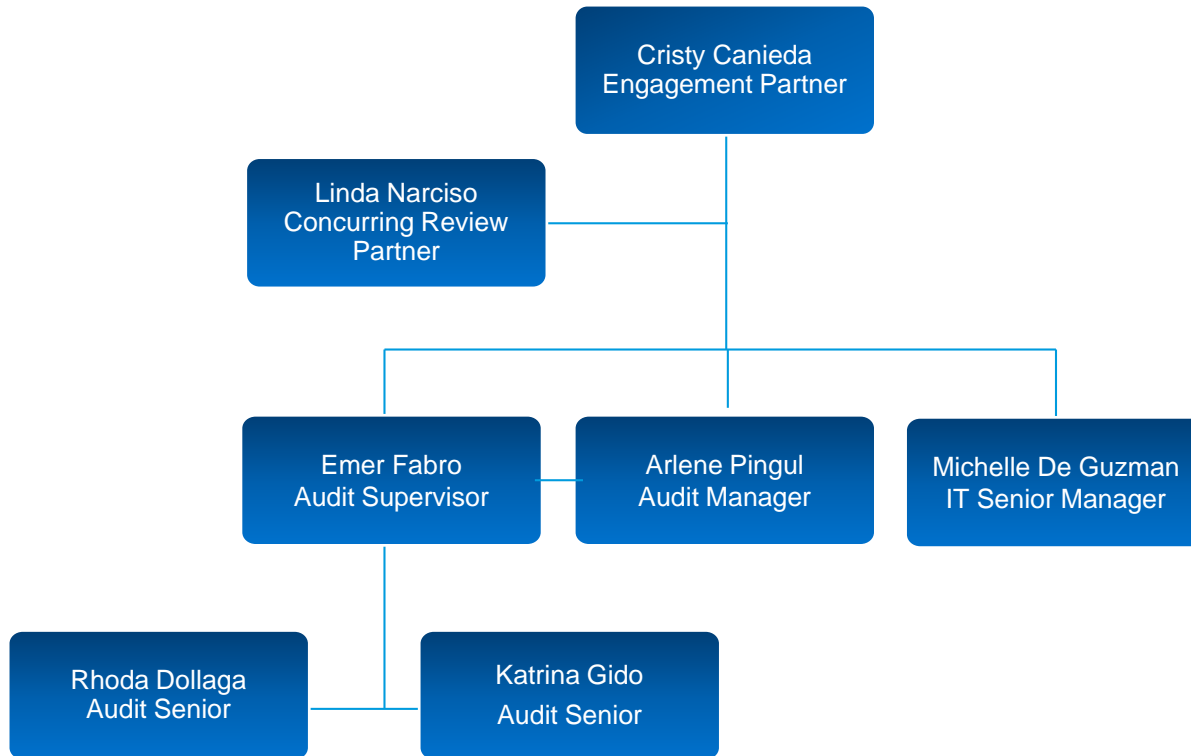
Year-Round ***Consultation*** on Financial and Accounting Matters

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

# Levels of Assurance



# The Audit Team



# Independence

- ❑ There are no relationships between any of our representatives and the City that in our professional judgment may reasonably be thought to bear on independence.
  
- ❑ Vasquez & Company LLP meets the independence requirements of the *Government Auditing Standards* as it relates to City.

# SUMMARY OF AUDIT RESULTS

# Financial Statements Audit

## ❑ **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**



# The Single Audit of Federal Awards

## MAJOR PROGRAM:

CFDA No. 20.507 – Federal Transit Formula Grants (\$2.8 million)  
– 53% of total federal expenditures of \$5.2 million

*The City continues to be classified as a “Low Risk Auditee” based on the Federally-prescribed criteria.*

## Status:

- *Fieldwork is scheduled on March 16th*

# Financial Reporting Highlights

- ❑ The City's **overall net position** increased by \$3.8 million, from \$ 345.9 million at 6/30/2018 to \$349.7million as of June 30, 2019. (CAFR p. 10 and 25)
- ❑ The City's **unrestricted deficit in net position** decreased by \$3.8 million to a deficit of \$65.6 million vs. a deficit of \$ 69.4 million at prior year-end. (CAFR p. 10)
- ❑ **City-wide expenses** decreased to \$156.2M in FY 2019, from \$162.5M in FY 2018, a decrease of \$6.3 million. (CAFR p. 11)
- ❑ **Governmental Fund expenditures** increased in 2018-19.
  - Governmental Fund expenditures 2018-19     \$88.3M
  - Governmental Fund expenditures 2017-18     \$81.5M
- ❑ The City reported the following **Pension and OPEB liability** at June 30, 2019:
  - ❑ Pension liability - \$146.2 million (2018 - \$148.1 million)
  - ❑ OPEB Liability - \$38.2 million (2018 - \$38.5 million)

# Financial Reporting Highlights (continued)

- ❑ The City's **General Fund total fund balance** increased by \$4 million during the year (from \$42 million in 2018 to \$46.1 million at the end of 2019). This was \$7.2 million higher than the projected budget deficit in general fund of \$3.1 million in 2019. (CAFR p. 35)
- ❑ The **Enterprise Funds** generated net revenues before contributions and operating transfers of \$791 thousand.
  - Sanitation generated a net income of \$4.9 million before contributions and operating transfers
  - Water generated a net income of \$1.7 million before contributions and operating transfers
  - Transit system operating loss was \$5.8 million during the year.
- ❑ The **Internal Service Funds** reported a positive net position of \$1.6 million, which was a decrease of \$.4 million from \$2 million in FY 2018.

# Required Communications

- ❑ **Management's Responsibility** - Management has primary responsibility for 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 .
- ❑ **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 provides us with a signed copy of the management representation letters prior to issuance of our auditors' opinions.
- ❑ **Management Letter Comments** – management letter comments will be issued to management upon completion of the single audit.

# 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, 2020.

**GASB 89** – Accounting for Interest Cost Incurred before the End of a Construction Period” The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**GASB 90** – Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

**GASB 91** – Conduit Debt Obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

# Questions?

**THANK YOU FOR YOUR TIME  
AND ATTENTION**



# Contact Information

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