



CITY OF SIMI VALLEY

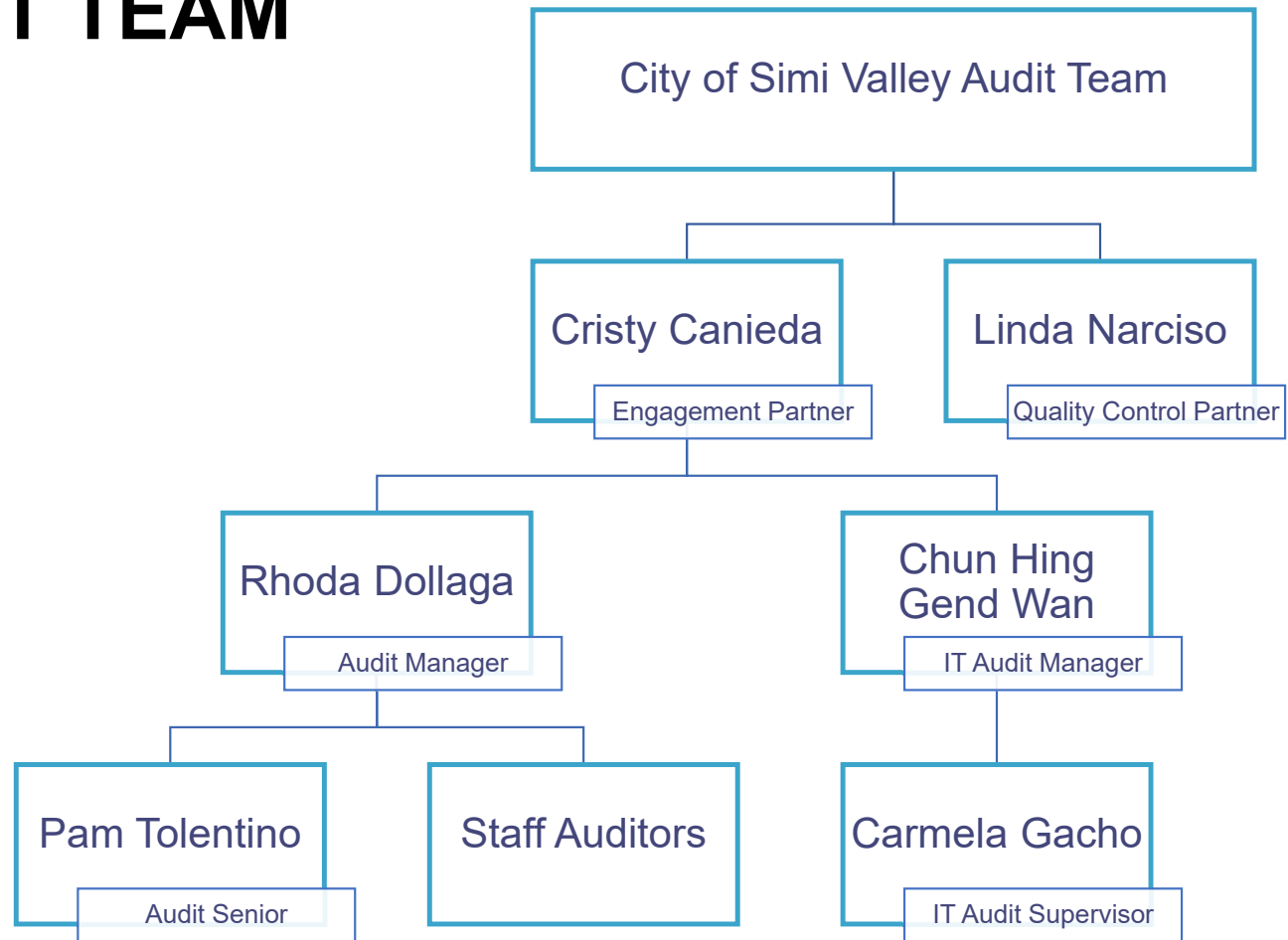
**PRESENTATION TO THE  
COUNCIL OF THE CITY  
OF SIMI VALLEY**

June 12, 2023

# / AGENDA

- The Audit Team
- Scope of Services
- Independence
- Summary of Audit Results
  - Financial Statements Audit
  - Single Audit
  - Financial Reporting Highlights
- Required Communications to the City Council
- New Accounting Pronouncements – Effective in Future Years
- Questions
- Contact Information

# / THE AUDIT TEAM



# SCOPE OF SERVICES

# / SCOPE OF SERVICES

1

## The Financial Statement Audit

- City's basic financial statements
- City's OPEB Trust Fund
- City's Housing Trust Fund

2

## The Single Audit

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

3

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

# / 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.

## **Internal Control over Financial Reporting**

No material weaknesses and significant deficiencies were noted on internal control over financial reporting.



# / SINGLE AUDIT

1

## Major Programs

- ALN 14.239
- ALN 21.027

2

## Coverage

- Home Investment Partnership Program (\$281 thousand)
- Coronavirus State and Local Fiscal Recovery Funds (\$10.6 million)
- 69% of total federal expenditures of \$15.8 million

3

## Classification

- The City is classified as a “High Risk Auditee” based on the Federally-prescribed criteria.

4

## Results

- No financial statement findings
- No federal statement findings.
- Prior year’s Corrective Action Plans were fully implemented in the current year.

# FINANCIAL REPORTING HIGHLIGHTS – GOVERNMENT-WIDE

## Overall Net Position

- The City's overall net position increased by \$37.3 million, from \$385.5 million at June 30, 2021 to \$422.8 million as of June 30, 2022. (ACFR p. 11 and 25)

## Unrestricted Deficit in Net Position

- The City's unrestricted deficit in net position decreased by \$28.9 million to a deficit of \$11.2 million vs. a deficit of \$40.1 million at prior year-end. (ACFR p. 10)

## City-wide Expenses

- City-wide expenses decreased to \$148.0 million in FY 2022, from \$164.4 million in FY 2021, an increase of \$16.4 million. (ACFR p. 11)

## Pension and OPEB liability

- The City reported the following Net Pension and Net OPEB liabilities at June 30, 2022:
  - Net Pension liability - \$98.6 million (2021 - \$156.8 million)
  - Net OPEB Liability - \$62.3 million (2021 - \$48.8 million)

# / FINANCIAL REPORTING HIGHLIGHTS – FUND LEVEL



## Governmental Fund Expenditures

- Governmental Fund expenditures increased in 2021-22.
  - Governmental Fund expenditures 2021-22      \$85.1 million
  - Governmental Fund expenditures 2020-21      \$79.8 million

## General Fund Total Fund Balance

- The City's General Fund total fund balance increased by \$6.4 million during the year (from \$70.3 million in 2021 to \$76.7 million at the end of 2022). The City projected a budget deficit of \$12.2 million for the fiscal year.
- The City's GF fund balance of \$76.7 million was \$18.5 million higher than the projected fund balance in General Fund of \$58.2 million in 2022. (ACFR p. 32)

# / FINANCIAL REPORTING HIGHLIGHTS – FUND LEVEL



## Enterprise Funds

- The Enterprise Funds generated net revenues before contributions and operating transfers of \$8.7 million.
  - Sanitation generated a net income of \$8.6 million before contributions and operating transfers.
  - Waterworks generated a net income of \$5.3 million before contributions and operating transfers.
  - Transit System generated a net loss of \$5.3 million before contributions and operating transfers.

## Internal Service Funds

- The Internal Service Funds reported a positive net position of \$8.2 million, which was an increase of \$2.0 million from \$6.2 million in FY 2021.

# REQUIRED COMMUNICATIONS

# / REQUIRED COMMUNICATIONS



<b>Management's Responsibility</b>	Management has primary responsibility for the accounting principles used, their consistency, application and clarity.
<b>Consultations with Other Accountants</b>	We are not aware of any consultations by management with other accountants about accounting or auditing matters.
<b>Difficulties with Management</b>	We did not encounter any difficulties with management while performing our audit procedures.
<b>Disagreements with Management</b>	We encountered no disagreements with management on financial accounting and reporting matters.
<b>Significant Accounting Policies</b>	The City's significant accounting policies are appropriate, and were consistently applied. During the fiscal year ended June 30, 2022, the City implemented GASB Statement No. 87 – <i>Leases</i> . The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

# / REQUIRED COMMUNICATIONS (CONTINUED)

## OPEB Liability Recalculation by the Actuary

GovInvest, the City's actuary, failed to consider some contributions made by the City in calculating the net OPEB Liability. The actuarial report was revised in March that resulted in adjustment to net OPEB liability of \$17,808,693 and delay in the finalization of the ACFR.

## Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, City Council, and audit firms work together in considering compliance with AICPA and Government Accountability Office (GAO) independence rules. AICPA and GAO rules require independence both in mind and in appearance when providing audit and other attestation services. Vasquez ensures that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement. Vasquez maintains a system of quality control over compliance with independence rules and firm policies.

## Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.



# / REQUIRED COMMUNICATIONS (CONTINUED)

<b>Conditions of Retention</b>	No significant issues were discussed, or subject to correspondence, with management prior to retention.
<b>Irregularities, Fraud or Illegal Acts</b>	No irregularities, fraud or illegal acts came to our attention as a result of our audit procedures.
<b>Management Representations</b>	The City provided us with a signed copy of the management representation letters prior to issuance of our auditors' opinions.
<b>Management Letter Comments</b>	Management letter comments was issued to management.

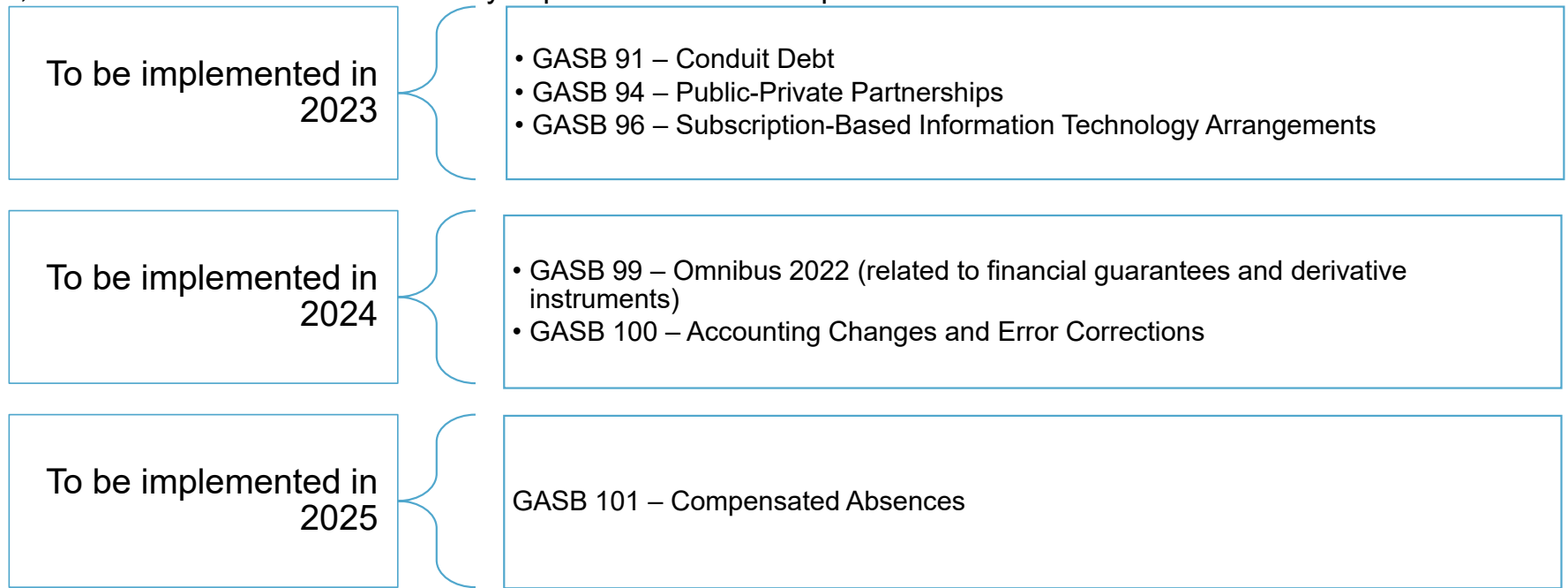




# NEW ACCOUNTING PRONOUNCEMENTS EFFECTIVE IN FUTURE YEARS

# / NEW ACCOUNTING PRONOUNCEMENTS – EFFECTIVE IN FUTURE YEARS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2022, that have effective dates that may impact future financial presentations.



# QUESTIONS

# / Contact Information

**Vasquez + Company LLP** has over 50 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, governmental entities, and publicly traded companies. Vasquez is a member of the RSM US Alliance.

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**Cristy Canieda, CPA, CGMA**

213-873-1720 OFFICE

[ccanieda@vasquezcpa.com](mailto:ccanieda@vasquezcpa.com)

**Rhoda Dollaga, CPA**

213-873-1746 OFFICE

[rdollaga@vasquezcpa.com](mailto:rdollaga@vasquezcpa.com)

[www.vasquez.cpa](http://www.vasquez.cpa)

Los Angeles \ San Diego \ Irvine \ Sacramento \  
Fresno \ Phoenix \ Las Vegas \ Manila, PH

213-873-1700  
solutions@vasquezcpa.com

**Thank you for your time  
and attention.**