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foothill community built on California's rich gold rush history.*



City Manager's Report

September 26, 2023 City Council Meeting

Prepared by: Dave Warren, Assistant City Manager/Director of Finance

Item #: 6.2

Subject: Consider acknowledging and filing the Annual Financial Report and Independent Auditors' Reports and Single Audit and Independent Auditors' Reports for Fiscal Year 2021/2022.

Recommendation:

Acknowledge and file the Annual Financial Report and Independent Auditors' Report and Single Audit and Independent Auditors' Reports for Fiscal Year 2021/2022.

Purpose:

To review and acknowledge the Fiscal Year 2021/2022 Annual Financial Report and Independent Auditors Reports and Single Audit and Independent Auditors' Reports.

Strategic Plan Strategies:

Fiscal Stability /Sustainability: 6. Meet financial commitments and reporting requirements. b. Prepare financial reports as required by Federal and State laws and regulations.

Discussion:

The City's financial statements are audited annually by an independent Certified Public Accountant (CPA). The purpose of the year-end audit is for the independent CPA to express an opinion of whether or not the City's financial statements present fairly, in all material respects, the respective financial position of the City. Your auditors, the Pun Group Accountants and Advisors (PG), conducted a rigorous audit of the City's financial statements for Fiscal Year 2021/2022.

The audit was performed in accordance with the auditing standards generally accepted in the United States of America and Government Auditing Standards including:

- Exercising professional judgement and maintaining professional skepticism throughout the audit.
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, and designing and performing audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- Concluding whether, in the auditors judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

PG has expressed an unmodified opinion which means they have determined that the City's financial statements present fairly, in all material respects, the respective financial position, the respective changes in financial position, and where applicable, cash flows, of the City as of June 30, 2022, in accordance with the accounting principles generally accepted in the United States of America.

Because the City expended more than \$750,000 in Federal funds in Fiscal Year 2021/2022, it is also required to have a single audit performed by an independent CPA. The purpose of the single audit is for an independent CPA to express an opinion of whether or not the City has complied with the types of compliance requirements described in the Office of Management and Budget (OMB) Compliance Supplement that could have direct and material effects on each of the City's major federal programs. PG has expressed an opinion that the City has complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

The single audit report was due March 31, 2023. However, the report was completed on July 20, 2023 due to other workload impacts. Because the report was late, the single audit includes a finding for a Delay in Financial Reporting. Staff apologizes for the audit finding and the lateness of the report and is committed to completing the Fiscal Year 2022/2023 single audit by the March 31, 2024 deadline. The filling of the vacant Assistant Finance Director position will provide the necessary resources to do so.

Tonight, Ken Pun, CPA, CGMA, Managing Partner/CEO from PG, will present an overview of the 2021/2022 audit reports and answer any questions regarding the audit. Staff will also be available to answer any questions regarding the financial statements and the City's financial position as of June 30, 2022.

Options:

1. Acknowledge and file the audit report for Fiscal Year 2021/2022 as presented.
2. Take no action.

Cost:

There is no cost associated with tonight's action.

Environmental:

Tonight's action is not directly applicable.

Budget Impact:

The cost of the year-end and single audits are incorporated into the annual Operating Budget.



M. Cleve Morris, City Manager



**Dave Warren, Assistant City Manager/
Director of Finance**

Attachments:

- A. Annual Financial Report
- B. Single Audit Report
- C. Audit Presentation