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City of Appleton, WI

2022 Audit Results and Report –
Finance Committee

Agenda

- Introduction of the Service Team
- Executive Summary
 - Services Provided to the City
 - Financial Statement Audit Results
 - Compliance Audit Results
 - Required Communications
 - MD&A, Statistical Data, and Financial Trends
 - New GASB Pronouncements



Service Team

CLA

- Over 100 office locations nationally
- Dedicated National Assurance GASB Technical Team – over 10 full time reviewers and internal consultants
- 18 office locations in Wisconsin
- We Serve:
 - Over 2,200 governmental clients nationally
 - Over 410 governmental clients in Wisconsin
 - Over half of all of the counties in Wisconsin
 - Many of the largest Cities in Wisconsin



City's Service Team

Leah Lasecki, Principal, CPA



Over 20 years serving governmental and not-for-profit clients. Leah serves local governments including Counties, local municipalities, public schools, and special purpose governments.

Danielle Niemela, Director, CPA

Over 6 years serving governmental clients. Danielle's experience includes serving governments of all sizes and complexity and not-for-profits.

Bryan Grunewald, Principal, CPA



Over 20 years serving governmental and not-for-profit clients. Bryan serves local governments including Counties, local municipalities, public schools, and special purpose governments.

Hayle Lepak, Director, CPA



Over 7 years serving governmental clients. Hayle has extensive experience performing compliance audits (Single Audits) and working with Wisconsin Counties.

To fulfill our promise to know you and help you, all members on our local CLA team are 100% dedicated to state and local government. They provide auditing, assurance, outsourced accounting, and a variety of consulting services within accounting, finance, human resources and information technology.





Executive Summary

Results of Professional Services



Services Provided to the City

- City of Appleton – Audit of Financial Statements
- Valley Transit – Separately Issued Financial Statements (Enterprise Fund of the City)
- Business Improvement District – Separately Issued Financial Statements (Component Unit of the City)
- Federal/State Compliance Audit in Accordance with Federal Uniform Guidance and the State Single Audit Guidelines (“Single Audit”)
- Compilation of the Public Service Commission Annual Financial Report
- Independent Auditor’s Report on the City’s Administrative Rule – Tax 16 Report



Financial Statement Audit Results

Opinion

- Unmodified (“Clean”)

Internal Control Deficiencies

- There were no deficiencies in internal control over financial reporting reported.



Compliance Audit Results

Federal and State Programs Audited as Major Programs

CFDA Number	Name of Federal Programs/Clusters
14.218	Community Development Block Grant Cluster
20.507	Federal Transit Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

State ID Number	Name of State Programs
395.104	Transit Operating Assistance

Federal and State programs are selected for audit based on risk and any requirements as imposed by the grantors. As an overall low risk auditee, Federal and State programs audited must be at least 20% of total expenditures.

All 4 federal programs being audited, all have been audited in the past. Both 21.027 and 93.323 were audited in prior year due to the levels of COVID funding. 14.218 and 20.507 are typically cyclical grants, meaning they are audited every 3 years (or more often). The City received \$8.9M in total federal grants with \$7.2M (81%) being audited within these 4 programs.

State program was previously audited in 2019. (\$5.6M total state programs with \$2.9M being the State Transit Operating grant audited).



Compliance Audit Results (Continued)

Findings Issues as a Result of the Audit:

2022-001 – Procurement

Federal Program Name and Number: 21.027 Coronavirus State and Local Fiscal Recovery Funds

Condition and Cause: The City did not follow controls related to ensuring procurement policies were followed. Items purchased through procurement transactions were individually insignificant thus City believed procurement was not applicable. However, when applying the micropurchase threshold, a nonfederal entity should note that the threshold applies to the aggregate purchase amount from the vendor/contactor rather than the cost of individual items.

City's Corrective Action Taken: The City is revising their policy to conform with Uniform Guidance and cost principles. Controls to ensure compliance will be implemented by July 31, 2023.

2022-002 – Special Reporting for Federal Accountability and Transparency Act (FFATA)

Federal Program Name and Number: 14.228 Community Development Block Grant

Condition and Cause: The City did not have adequate internal controls designed to ensure that the reporting requirements related to FFATA were completed timely.

City's Corrective Action Taken: The City completed the required reporting and management will monitor future reporting requirements. Appropriate corrective action is deemed to have occurred.



Required Communications

Topic	Communication
Our responsibility under Generally Accepted Auditing Standards, Uniform Guidance, and State Single Audit Guidelines	<ul style="list-style-type: none">• Express an opinion on the fair presentation of the financial statements in conformity with GAAP• Plan and perform the audit to obtain reasonable, not absolute assurance that the financial statements are free of material misstatement• Evaluate internal control over financial reporting and compliance and overall compliance with Federal and State Major Programs• Utilize a risk based audit approach• Communicate significant matters to appropriate parties
Planned Scope and Timing of the Audit	<ul style="list-style-type: none">• Performed the audit according to the planned scope and timing previously communicated.
Other Information in Documents Containing the Audited Financial Statements	<ul style="list-style-type: none">• Financial statements may only be used in their entirety• Our approval is required to use our audit report in a client prepared document• We have no responsibility to perform procedures beyond those related to the financial statements



Required Communications (continued)

Topic	Communication
Significant Accounting Policies	<ul style="list-style-type: none"> • Management is responsible for the accounting policies of the organization • Accounting policies are outlined in Note 1 to the financial statements • As described in Note 1 to the financial statements, the City changed accounting policies related to leases by adopting GASB 87, <i>Leases</i>, in 2022. This standard had a significant impact on the City’s financial statements as noted below. Please see footnotes for further information. <ul style="list-style-type: none"> • Lease Asset and Related Deferred Inflow of Resources of \$4.059M (\$1.2M governmental activities and \$2.86M in proprietary funds) was recorded. There is no impact on change in net assets. • Leases Payable and Related Right-to-Use Capital Asset for buildings and equipment of \$237k. There is an immaterial impact on change in fund balance. • Accounting policies deemed appropriate • No unusual transactions occurred



Required Communications (continued)

Topic	Communication
Significant Accounting Estimates	<ul style="list-style-type: none">• An area of focus under a risk based audit approach• Significant estimates include:<ul style="list-style-type: none">a. Pension liability and related deferred outflows\inflows of resources and expenseb. Retiree health OPEB liability and related deferred outflows\inflows of resources and expensec. Accumulated sick leaved. Fair Value of investmentse. IBNR for the Self-Funded Plansf. Amortization of intangible assets and deferred costsg. Useful lives of capital assets• Estimates determined by management based on their knowledge and experience• No management bias indicated• Estimates were deemed reasonable• Estimate uncertainty is disclosed in the financial statements



Required Communications (continued)

Topic	Communication
Sensitive Financial Statement Disclosures	<ul style="list-style-type: none">• None that are particularly sensitive.
Management Representation Letter	<ul style="list-style-type: none">• Management provided signed representation letters prior to finalization of the audit reports
Other	<ul style="list-style-type: none">• No uncorrected misstatements, other than those that are clearly trivial, were identified.• No material misstatements were identified as part of audit procedures.• No difficulties encountered in performing the audit• No issues discussed prior to retention as independent auditors• No disagreements with management regarding accounting, reporting, or other matters• No consultations with other independent auditors• No other findings or issues were discussed with, or communicated to, management



MD&A, Statistical Data and Financial Trends

- City Finance has prepared the Management's Discussion and Analysis and partial ACFR statistical data included in the audit report. Please review as these are important parts of the report.
- Financial Trends are in appendix A in the Executive Summary as prepared by CLA.



Upcoming Accounting Pronouncements

GASB Statement No. 96 “Subscription Based Information Technology Arrangements” – effective for 2023

GASB 96 is very similar to GASB 87, Leases, in its calculation and accounting. This will apply to any long-term IT type contracts.

GASB Statement No. 101 “Compensated Absences” – effective for 2024

GASB 101 is replacing GASB 16. The goal of the new guidance is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. It is anticipated that this will effect most governments and will likely increase previously recorded liabilities. Under the standard, governments are required to accrue for time that has accumulated and is likely to be used, even if the employee will never be eligible for a termination payment related to unused time.

Additional information on both standards is provided in Appendix B in the Executive Audit Summary. Contact CLA for additional information.



Questions



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