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# City of Appleton, WI

## 2023 Audit Results and Report – Finance Committee

# Agenda

## Introduction of the Service Team

## Executive Summary

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



# CLA Service teams

- Over 120 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 2,300 governmental clients nationally
  - Over 400 governmental clients in Wisconsin
  - Over half of all Wisconsin Counties
  - Many of the largest Cities in Wisconsin



# City's Local Service team

## *Leah Lasecki, Principal, CPA*

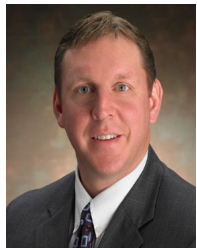


Over 20 years serving governmental and not-for-profit clients. Leah serves local governments including Counties, local municipalities, public schools, and special purpose governments.

## *Danielle Niemela, Director, CPA*

Over 7 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.

## *Nicole Gierczak, Senior, CPA*

Over 5 years serving governmental clients. Nicole 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.



# 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) – Auditor presents Audit Report separately to Transit Commission



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 (Pages 1-4)

- Unmodified (“Clean”)

## Internal Control Deficiencies (Page 178)

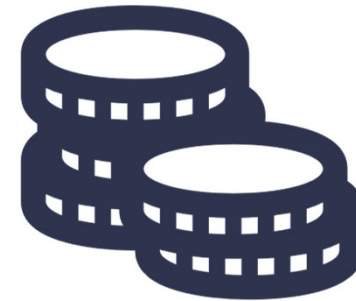
- There were no deficiencies in internal control over financial reporting reported.



# MD&A, Statistical Data and Financial Trends



City Finance staff has prepared the **Management's Discussion and Analysis and Statistical Data** included in the Annual Comprehensive Financial Report. Please review as these are important parts of the report.



**Overall Audit Results and Financial Trends** are in the Executive Summary as prepared by CLA from your Annual Comprehensive Financial Report. Please review as these are important parts of the report.



# Compliance audit Results (Single audit section pages 169-182)

## *Identification of Major Federal Programs*

Federal Assistance Number	Name of Federal Programs/Clusters
20.FTC	Federal Transit Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

## *Identification of Major State Projects*

State ID Number	Name of State Programs
395.104	Transit Operating Aids

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 3 federal programs being audited, all have been audited in the past. Both 21.027 and 93.323 were audited the last several years due to the high levels of COVID funding. 20.FTC is typically a cyclical grant, meaning audited every 3 years (or more often). The City received \$9.1M in total federal grants and \$7M (76%) was audited with these 3 programs.

State program was audited in previous year. The City received \$2.9M total state grants and \$2.8M (96%) were audited for the one state major program, Transit Operating Aids.

**Compliance Findings:** There were no audit findings disclosed that are required to be reported in accordance with Federal or State guidelines.



# Required Communications

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



# Required Communications (continued)

Topic	Communication
Significant Accounting Policies	<ul style="list-style-type: none"><li>• Management is responsible for the accounting policies of the organization</li><li>• Accounting policies are outlined in Note 1 to the financial statements</li><li>• As described in Note 1.G. to the financial statements, the City changed accounting policies related to leases by adopting GASB 96, <i>Subscription-Based Information Technology Arrangements (SBITA)</i>, in 2023. This standard had an impact on the City's financial statements by recording SBITA right-to-use assets and related liabilities of approximately \$785k. See Note 4.I. for additional information.</li><li>• Accounting policies deemed appropriate</li><li>• No unusual transactions occurred</li></ul>

# Required Communications (continued)

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

# Required Communications (continued)

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



# Upcoming Accounting Pronouncement Relevant to the City

## 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.

*Contact CLA for additional information or for assistance with the implementation of new accounting standards.*



Any  
Questions





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