

Item 23-0897: Presentation of the 2022 Audit and Executive Summary

Finance Committee

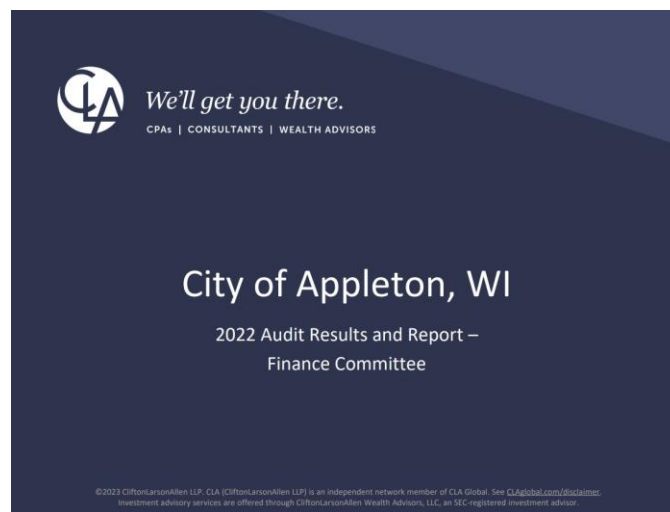
Mon, Jul 24, 2023 5:30PM

Alderperson Brad Firkus (District 3) 00:55

Public hearings and appearances. We have one tonight. 23-0897 Leah—I'm sorry—Lasecki, CPA with Clifton Larsen Allen LLP presentation of the 2022 audit and executive summary. So, if you'd like you can take the podium and floor is yours.

Leah Lasecki (CliftonLarsenAllen) 01:15

Very good. Thank you so much. All right. So, does everybody have a copy of the PowerPoint presentation in their materials? Otherwise, I do have paper copies. Okay. All right. All right.



Leah Lasecki (CliftonLarsenAllen) 01:31

Well, good evening. Thank you so much for asking me to be here tonight. As introduced, I am Leah Lasecki with CLA, I'm your signing principal on the city's audit. Okay.

Leah Lasecki (CliftonLarsenAllen) 01:41

I first want to start real quick by giving a huge shout out thank you to Jeri and to Katie as well as to Kelly for all their assistance during the audit. I'll say right off the bat that everything went very well with the audit this year. You're not going to hear anything that I'm going to say that's going to be negative whatsoever. But I just want to give them definitely a huge shout out and a kudos for their preparation for us. Preparing for an audit is a lot of work, a tremendous amount of work. And Jeri and Katie just do a fantastic job. So, thanks, guys. Okay.

Leah Lasecki (CliftonLarsenAllen) 02:11

All right. Some of you may have heard me do this before last year. So, I'm just going to kind of follow a basic agenda here. I'm not going to go into the deliverables that were given to you as part of the audit. That is a very large book. There's one that's sitting up here. I'm sure you guys have gone through every single page. And as well as the governance communication letter as well. I'm not going to go through those. This is really kind of high level and it's hitting those high points of what was included in those communications. Okay?

Leah Lasecki (CliftonLarsenAllen) 02:40

All right. So, starting real quick with the agenda, I'm just going to introduce the service team real quick, introduce CLA, and then just kind of go through an executive summary real quick, the services that we provide to the city, the audit results, both the financial statement and the compliance, required communications with those charged with governance, talk real quick on MDNA stats data, and as well as some new GASB pronouncements. Okay?

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



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Leah Lasecki (CliftonLarsenAllen) 03:06

And please, I should mention, too, if you guys have any questions, please shout it out, raise your hand, whatever at that time. Don't wait until the end. I'm happy to answer any questions that you have as I go along. Okay?

Leah Lasecki (CliftonLarsenAllen) 03:18

All right. So, starting real quick with the service team. I like to bring this up, because I think it's important because it shows that we're a very large firm with a lot of different resources. So, if you want to read through real quick, just what CLA is all about, we do have dedicated state and local government people. So, everybody that your team is working with, all of us work specifically in state local government. We don't dabble in other industries at all. We stick within state and local government. It's complicated enough as it is. We don't want to get into other industries as well. Okay?

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

Leah Lasecki (CliftonLarsenAllen) 03:49

On that next slide, you'll see the city service team consists of myself as the principal. There's



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also Bryan Grunewald, who's also a principal. He's out of our Sheboygan office. Brian has a lot of utility experience. So anytime that we're consulting on anything on the utilities, PSC report, all that kind of stuff, Brian is that main person that we're going to for that as well. Brian has also worked with the city—I don't know. It's been it's been quite a long time, probably about a decade or so that Brian has been consulting on issues with the utilities.

Leah Lasecki (CliftonLarsenAllen) 04:19

There's also Danielle and Haley that were directors on the engagement this last year. We do kind of split our team a little bit between the audits. I say audits because we're doing the financial statement audit as well as the compliance audit, and they're two totally different things. So, Danielle heads up the financial statement side of it, and Hayley heads up the single audit or the compliance side of it. Okay?

Leah Lasecki (CliftonLarsenAllen) 04:43

Again, that box down at the bottom, I talk a little bit about the fact that, yes, we're 100% dedicated to state and local government, CLA team members. Okay?

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.

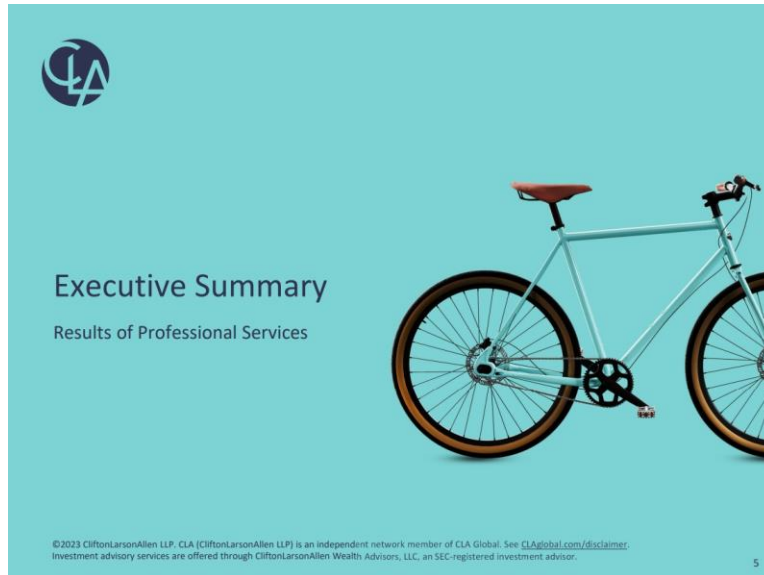
To fulfill our promise to know you and help you, all members on our local CLA team are 100% dedicated to state and local government. They provide auditing, assurance, outsourced accounting, and a variety of consulting services within accounting, finance, human resources and information technology.



Leah Lasecki (CliftonLarsenAllen) 04:54

All right. So, the executive summary, the real important stuff, the results of our audit Okay. So first and foremost, services that we provide to the city is that we do the audit of the financial statements obviously. We

also separately issue financial statements of Valley Transit as well as the bid. And as I had said, we do a compliance audit as well, which is called a single audit. That's federal and state monies.



Leah Lasecki (CliftonLarsenAllen) 05:18

I may have said this last year. So, you may recall me saying, that about 30 to 40% of our time is spent just on compliance auditing. And as I said, they're two totally separate things from a financial audit. Okay? A big part of the audit is spent in that compliance area.

Leah Lasecki (CliftonLarsenAllen) 05:34

Then, of course, we do a compilation of the PSC report that goes every year. Now that's going to be just obviously be on your regulated water utility. And then last, but not least, we do the Tax 16 report, which is actually giving an opinion essentially, on your form C that goes to the Department of Revenue. Okay?

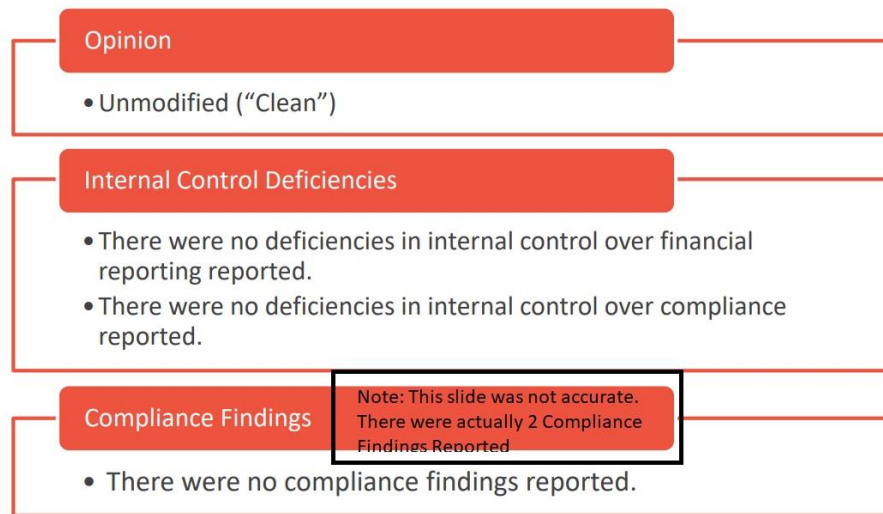
Services Provided to the City

- 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

Leah Lasecki (CliftonLarsenAllen) 05:53

All right. So financial statement audit results. We give you what we call a clean opinion, or unmodified audit opinion. It is not absolute assurance, it's under—it's very important to understand that what we're actually giving you is an opinion that we believe your financial statements are not materially misstated. Okay? We don't look at every single dime and dollar that's going through the city. Obviously, it's a risk-based audit that we do in order to give a not absolute, but still the highest level of assurance that we can give you that we believe that the financial statements are not materially misstated. Okay?

Financial Statement Audit Results



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Leah Lasecki (CliftonLarsenAllen) 06:30

One of the things that we do as well, that's probably makes up—again, if I want to stick on percentages, I would say it probably makes up at least 10% of the beginning of the audit, is that we understand your controls. We can't do an audit if we don't understand how you do your work on a daily basis. Right? So, if we identify any deficiencies, whether they're significant or material weaknesses, we have to communicate those to the board. Okay? And to the financial statement users, and that's what we call a finding. Okay? We had no internal control deficiencies in internal control over financial reporting to report. Okay? That is very good. And a lot of cities, even larger cities, you will see internal control deficiencies, okay? So, for that, for the city of Appleton is wonderful that that we feel that the controls are pretty solid. Okay? Now, that's not saying that there couldn't be something, you know, immaterial that could happen. But this is, again, going to be on that overall materiality standpoint. Okay?

Leah Lasecki (CliftonLarsenAllen) 07:30

All right. So, let's turn real quick to the compliance audit results. We audited a lot of federal programs this year. We ended up auditing four federal programs and one state program, okay? Two of them—you'll see the top two that are listed there—14.218, and 20.507, CDBG, and the Federal Transit cluster. Those are ones that we do typically every three years, okay. We have to—if it's going to be a larger program, we have to audit it every three years. So, this was that three-year rotation of those two programs.

Leah Lasecki (CliftonLarsenAllen) 08:03

The next two that you'll see—21.027 and 93.323 ELC and ARPA, okay? Both of those two are obviously because of that COVID funding. They're very high risk. The federal government says, you as an auditor, you actually have to audit those every single year that you guys are receiving those funds. Okay?

Leah Lasecki (CliftonLarsenAllen) 08:23

So of all those four programs that we audited for you guys, we audited 81% of your federal monies that came in, okay. So that is—I do have some of those stats down listed here. You received \$8.9 million in federal awards. We audited \$7.2 million of them. Okay?

Leah Lasecki (CliftonLarsenAllen) 08:44

The state program. The state program is going to be the same thing. It's going to be a cyclical every three years that we audit that one. That's going to be the transit operating assistance grant that's received. So, transit, really—we spent a lot of time at transit this year, because they were obviously a big, big part of the audit this year with having it both federal and state. And we expect going forward that we'll be spending quite a bit of time at transit, as well, with the grants that are hopefully coming down the pike for them. Okay?

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).

As noted, we noted no compliance findings related to these programs based on our audit.



Leah Lasecki (CliftonLarsenAllen) 09:11

All right. So, I want to kind of talk real quick because you—there were a couple of compliance findings. But I want you guys to understand the context of what a compliance audit is and how big a compliance audit is. So, each one of these agencies that we audit under the federal government, they give you a list of compliance requirements that they've gone in and said, Hey, these are the ones that are most likely to be direct and material to that program. Okay? So as auditors, these are the ones that you have to audit. Okay?

Leah Lasecki (CliftonLarsenAllen) 09:39

We audited four federal programs, and each one of those four, there's anywhere between 15 and 20 compliance requirements, and in each—within each one of those compliance requirements there could be three, four, or five compliance requirements or sub compliance requirements within those compliance requirements. So, we're really looking at auditing 60, 70, 80 compliance requirements total for these four programs. Okay? It's a lot. It is rare that you get through a single audit without something being found, because it's so specific and there's so much detail. Okay?

Leah Lasecki (CliftonLarsenAllen) 10:16

So, there were a couple of findings. So that was my segue so that it's not—you don't see this next slide and go, Oh, my gosh. Okay?

Leah Lasecki (CliftonLarsenAllen) 10:24

So do not the first finding was in regards to procurement 2022-001. Okay. The city has already taken corrective action, or close to it. Basically, the gist of it is, is that your procurement policy didn't conform with uniform guidance. Okay? We don't believe that you didn't procure your goods okay, or your did not services okay. We don't believe that there was any non-compliance to that degree. You just need to, to really fix that procurement policy so it doesn't happen in the future. Okay? But like I said, Jeri and her team are already taking corrective action on that.

Leah Lasecki (CliftonLarsenAllen)
10:59

The second finding is on CDBG, and this is a very strange reporting requirement called FFATA. It came out quite a few years ago under the Federal Accountability and Transparency Act, thus FFATA. Okay. It's just yet another level of reporting that you have to do to the federal government. It is very common—unfortunately, this is one of the most common findings that CLA has out of all the federal findings is FFATA. So now, it was your turn to get this finding this year. The re—the must reporting was actually already done. It was done in June. So though, so the city immediately responded and got that done, and has set up a plan then to get that done in the future as well. Okay. So, we expect take corrective action has already been taken. Okay?

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.



Leah Lasecki (CliftonLarsenAllen) 11:48

So hey, when you think about it, the number of compliance requirements that we're auditing as auditors, to have two what I consider to be relatively minor issues come out of it, that says a lot—especially in a year where we're auditing for programs. Okay. Any questions on any of that?

Aldersonperson Chris Croatt (District 14) 12:05

Yes. Just a clarification. So, on the bottom of page seven and on the bottom of page eight...

Leah Lasecki (CliftonLarsenAllen) 12:11

Yep.

Aldersonperson Chris Croatt (District 14) 12:11

...it says "No compliance findings related to these programs based on our audit", but then on page nine, you list two findings?

Leah Lasecki (CliftonLarsenAllen) 12:17

Yep.

Aldersonperson Chris Croatt (District 14) 12:18

It's just a little confusing.

Leah Lasecki (CliftonLarsenAllen) 12:19

Yeah. So that PowerPoint slide, unfortunately, on my end, I've already actually already changed it. And I should have sent a new one to Jeri, and I didn't so I'm sorry.

Aldersonperson Chris Croatt (District 14) 12:26

Okay.

Leah Lasecki (CliftonLarsenAllen) 12:27

But I will—I can send a new one and just slide it into the agenda. Will that work? Yeah, it wasn't updated from last year.

Aldersonperson Chris Croatt (District 14) 12:33

It was just a little confusing. You say no findings, and then there was findings listed. So.

Leah Lasecki (CliftonLarsenAllen) 12:37

Right.

Aldersonperson Chris Croatt (District 14) 12:37

Okay.

Leah Lasecki (CliftonLarsenAllen) 12:37

Right. Okay. Sorry about that.

Aldersonperson Chris Croatt (District 14) 12:39

No problem. Just clarifying.

Leah Lasecki (CliftonLarsenAllen) 12:40
Okay.

Alderson Chris Croatt (District 14) 12:41
Thanks, Chair.

Alderson Katie Van Zeeland (District 5) 12:44
Thank you. Just to go back to those findings, could you just explain a little bit more about what this actually means. As I understand the first one, procurement, it sounds like there was a larger purchase, and we were trying to apply a smaller amount of that?

Leah Lasecki (CliftonLarsenAllen) 13:02
So, means basically what what the federal government says is that when you aggregate—so when you purchase items from a whole bunch of, or from one vendor, and a whole bunch of individual invoices, you still have to aggregate those together. So, if you're—and the reason why is because—

Alderson Katie Van Zeeland (District 5) 13:19
I'm sorry, let me just make sure. So, what—let's say one item of those was under the threshold, but we didn't count all of those things together?

Leah Lasecki (CliftonLarsenAllen) 13:26
Exactly.

Alderson Katie Van Zeeland (District 5) 13:27
Okay. Thank you. Sorry. I just wanted to make sure I understood.

Leah Lasecki (CliftonLarsenAllen) 13:29
Yep. Yeah. And as you can imagine, a few years ago, that was a great loophole that a lot of, you know, grantors could get through, because, yeah, that wasn't part of uniform guidance previously. And now it's like, nope, sorry, you still have to treat them as if their aggregate purchases.

Alderson Katie Van Zeeland (District 5) 13:44
Even if those other items don't qualify for the program that you are applying those funds to? Or

Leah Lasecki (CliftonLarsenAllen) 13:52
No. No.

Alderson Katie Van Zeeland (District 5) 13:53
Or just specifically if you're buying them in separate transactions?

Leah Lasecki (CliftonLarsenAllen) 13:57
Exactly. Exactly. And for that, underneath that same grant. Correct. Exactly.

Alderson Katie Van Zeeland (District 5) 14:01
Okay. And then could you just explain a little bit more about the second one?

Leah Lasecki (CliftonLarsenAllen) 14:05

Sure. So, the FFATA reporting is—essentially, it's just another layer of reporting as to who the funds are going to, and what dollar amounts. Okay. I don't even remember—Jeri, do you remember what bureau it goes to? Is it the Census Bureau? I think it goes to the Census Bureau.

Alderson Katie Van Zeeland (District 5) 14:26

Is it HUD?

Leah Lasecki (CliftonLarsenAllen) 14:27

Yeah, I'm pretty sure it's, yeah, it goes to the Census Bureau. But it's, again, it's going to be more about the federal—it's just like it says Federal Transparency. It's making sure that they're spending funds and that people can actually track it.

Alderson Katie Van Zeeland (District 5) 14:40

And it was just a matter of reporting that to the....

Alderson Katie Van Zeeland (District 5) 14:43

Okay.

Leah Lasecki (CliftonLarsenAllen) 14:43

Right.

Leah Lasecki (CliftonLarsenAllen) 14:43

Right. Right. Exactly. Exactly.

Alderson Katie Van Zeeland (District 5) 14:46

Okay. Thank you.

Leah Lasecki (CliftonLarsenAllen) 14:47

There is a database out there that you can actually search. Like, any of us, we can actually go out to this Federal Accountability and Transparency Act and you can look up any vendor. You can look up any grantor. And you can actually see how they've spent all of their money.

Alderson Katie Van Zeeland (District 5) 15:00

Thank you.

Leah Lasecki (CliftonLarsenAllen) 15:01

Crazy amount of information. Okay. Any other questions? Okay.

Leah Lasecki (CliftonLarsenAllen) 15:10

All right. So, starting on slide 10, required communications. So, this is going to be required communications with those charged with governance. Okay. So, this is going to be coming right out of that executive summary that we had published for you. Okay? So, I'm just going to go through some kind of high-level stuff here. I'm not going to go to each one of these bullet points just, just very, very, very high level. So, we talk a little bit about our responsibility for the audit, and again, we talk about ex—expressing an opinion on the fair presentation of the financial statements, that our responsibility is to plan and perform the audit. Okay? To evaluate internal control, utilize a risk-based audit approach, everything that I had kind of said at the beginning. Okay?

Leah Lasecki (CliftonLarsenAllen) 15:50

The next section talks about the plan scope and timing of the audit. We risk-based fell a little bit behind this year. We were about a month behind where we were. That's largely because of a new accounting implementation, or accounting standard implementation that I'll talk about in a second. But otherwise, as far as the plan scope and the timing of the engagement, there were no changes. Okay.

Leah Lasecki (CliftonLarsenAllen) 16:12

Other information is just kind of a more of a disclosure that, hey, if you're going to publish the financial statements, make sure that all the pieces are included. Okay?

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



Leah Lasecki (CliftonLarsenAllen) 16:21

Slide 11, Significant Accounting Policies. So, there was a very large change in accounting policies this last year. And it was due to the implementation of GASB 87 leases. And, yep, there's a few heads shaking going, "Yep, I remember you talking about that last year." It did result in I think it's about a \$4 million lease receivable that was added, and about a \$300,000 lease there is liability that was added to the financial statements. Okay? It had significant impact across governments across the entire US, okay. You guys are certainly not the only one. But when you're reading your financial statements, just keep that in mind that that is in there now. It is mostly a balance sheet effect. It doesn't have really Income Statement effect, for the most part, that's material. Most of it's just showing those long-term obligations and those long-term receivables now in your financial records.

Okay? That did take a fair amount of effort on everybody's part. You know, you have to look at every single agreement individually, and it's just—there's extensions that are within a lot of these agreements. And it's just, it's a very time-consuming standard, unfortunately. So, but we got through it, and it was, we got to a good point. So yes. And so, thank you, Jeri, and to Katie, for your patience with us as well. Auditing an implementation is never fun. Okay. Otherwise, no unusual transactions were noted, nothing like that. Okay?

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



Leah Lasecki (CliftonLarsenAllen) 17:50

Page 12 Significant Accounting estimates. We bring these up just because obviously, there's a lot of risk when it comes to accounting estimates. We spend a lot of time as your auditors, auditing those and making sure that they're reasonable estimates. Okay? So, you can see those that are listed. Again, no—we don't feel like there was any management bias or anything like that, that would, you know, erroneously, you know, shift financial statements, you know, at somebody's whim. Okay?

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 expense b. Retiree health OPEB liability and related deferred outflows\inflows of resources and expense c. Accumulated sick leave d. Fair Value of investments e. IBNR for the Self-Funded Plans f. Amortization of intangible assets and deferred costs g. 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



Leah Lasecki (CliftonLarsenAllen) 18:19

Page 13, sensitive financial statement disclosures, none that are particularly sensitive. We talked about the fact that yes, assignment—management's representation letter was obtained. And then that other section, just a couple of comments there real quick is that there were no uncorrected misstatements. An uncorrected misstatement would be anything that would be above an auditor's threshold that we would have to report to you guys. So, if we had identified, let's say, in cash—a cash reconciliation—we had identified that there is a \$10,000 amount that was not reconciled, we would have to report that to you guys. Okay? We can't just get away and say, "Oh, it's not material. We're just not going to do anything about it." No, we would actually have to communicate it. Okay? So, it's a good thing when we say, "Hey, we didn't identify any; management hasn't made us aware of any uncorrected misstatements." Okay?

Leah Lasecki (CliftonLarsenAllen) 19:09

The other thing too, you'll see is that there were no material misstatements that were identified as part of our audit procedure. So, when we were going through, we didn't identify any huge errors and then went, Oh, my gosh, we have to fix this. Nothing like that happened whatsoever. Okay? Any adjustments that we made were very minor. Okay. All right. Any questions on any of that required communication at all?

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



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Leah Lasecki (CliftonLarsenAllen) 19:30

Okay. Next slide. MD&A statistical data and financial trends. So, this is—as I had said last year, this is really just a shameless plug for Jeri and for Katie. That MD&A and stats data is incredibly important information in the in your audit book. Please spend some time looking at it. That is all prepared by the city. They do a phenomenal job. We make very few corrections to that data that they give us. So please spend a little bit of time looking at that, reading it, understanding it. It's really written in a very good format. So great job to both Jeri and Katie for that. Okay?

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.

Leah Lasecki (CliftonLarsenAllen) 20:06

There's also some financial trends that you can find as well in Appendix A in the executive summary that we've prepared as well, that are also in a little bit different format, a little bit deeper dive into some of those areas than perhaps what you're seeing in the financial statements. Okay.



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Leah Lasecki (CliftonLarsenAllen) 20:22

And last but not least, on page 15, some wonderful upcoming accounting pronouncements, because we all love GASB changing all the time. Okay. So GASB statement number 96 is on SBITAs, subscription-based information technology arrangements. The good thing is, is that it's very much like leases. So, if it does have an impact on the city, you guys are already set up for that with that book. So, you'll be able to value those long-term software subscription arrangements and be able to implement that very, fairly quickly and easily.

Leah Lasecki (CliftonLarsenAllen) 20:53

The next one, GASB statement number 101, that will be happening in 2024 is probably not going to be so easy. And we are expecting for most governments that you'll see an increase in your liabilities with that one. Okay? So basically, what's going to happen is sick leave that perhaps hasn't been recorded in the past because there—it's not really earned at that point, there's going to be kind of—we have to take a look at and say, Okay, is it more than likely to be used? And if it is, then we have to book a certain percentage of that. Okay? So, we expect for most governments that GASB 101 is going to increase liabilities on your books. Okay. And that is recorded by management that is not a GASB 34 government-wide adjustment. That is done on your books. Okay?

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.



Leah Lasecki (CliftonLarsenAllen) 21:42

All right. So, any questions on any of that information presented or anything that's in the book or the governance communication letter?

Alderson Brad Firkus (District 3) 21:54

All right, seeing none. Thank you, Leah. Thank you for your presentation.

Leah Lasecki (CliftonLarsenAllen) 22:00

Yeah, thank you.

Alderson Brad Firkus (District 3) 22:00

Thank you to our staff for their work as well, both—from both sides. So really appreciate all the work and time that goes into making this and glad to see good results.

Leah Lasecki (CliftonLarsenAllen) 22:10

Very good. Thank you so much.