

# City of Upland

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Annual Comprehensive Financial  
Report

2022-23 Fiscal Year





# Audit Process

Planning/Risk Assessment

Third Party Confirmations

Substantive Testing of Account Balances

Review of ACFR

# Planning/Risk Assessment Process

- Assess the risk the financial statements could be materially misstated due to errors or fraud.
- Procedures involve auditor's judgment based on our understanding of the entity and its environment
  - Review and evaluate internal controls over financial reporting
  - Obtain an understanding of internal controls over:
    - Cash disbursements and procurement
    - Cash receipts and recording
    - Revenues
    - Payroll

# Third Party Confirmations

- Confirm all bank account balances recorded with the banking institution
- Confirm payments received from the State of California
  - Sales tax, gas tax, etc.
- Confirm payments received from County
  - Property taxes
- Legal representation letters from attorney's actively working on claims and litigation for the City

# Substantive Testing of Account Balances

- **Significant Audit Areas:**

- Cash
- Investments
- Governmental Revenues and Receivables
- Utility Revenues and Receivables
- Inventory
- Capital Assets
- Expenditures and Accounts Payable
- Payroll and Related Liabilities
- Debt and Debt Service Expenditures
- Self-insurance

# ACFR Review

- Final Prior Year Comparison of ACFR to prior year ACFR
- Complete a disclosure checklist to ensure the City's ACFR includes all relevant disclosures required by accounting and financial reporting standards
- Recalculate all amounts to ensure mathematical accuracy



# Reports Issued

Audit Report: Opinion on financial statements

Internal Control Report

AU-C 260 Communication with City Council

Agreed-upon Procedures Report for GANN Limit Calculation

Single Audit Report



# Audit Report

- Opinion on financial statements
  - Fairly presented in accordance with generally accepted accounting principles
  - The financial statements are the responsibility of management
  - Our responsibility is to express an opinion based on our audit
    - Unmodified (clean) opinion



# Financial Statement Key Figures

- General Fund revenues up approx. \$5 million compared to the prior year
- Fund balance in the General Fund increased \$6.3 million compared to prior year
- Overall increase in NPL of \$8 million is the net affect of significant UAL contributions in prior years and the significant investment losses CalPERS experienced in 2022, reflected in 2023 for financial reporting purposes



# Internal Report

- Internal Control Over Financial Reporting
- Consider internal control to determine what audit procedures to perform
- Purpose is not to express an opinion
- Compliance testing – no opinion
  - Test for compliance that could have a material impact on the financial statements
- Required to report material weaknesses and significant deficiencies



# AU-C 260 Communication with City Council

- Required communication from auditors directly to “those charged with governance” – City Council
- Estimates
- Sensitive Disclosures
- Difficulties or Disagreements
- Other Audit Findings or Issues



# AUP Report on Appropriations Limit

- Required by Article XIII B of the California Constitution
- Specific procedures to test the calculation for the fiscal year ended June 30, 2023
  - AUP Report
  - No exceptions to the City's calculation
- Spending limit from proceeds of taxes
  - City is well below the limit



# Single Audit Report

- Required by the Uniform Guidance if Federal expenditures exceed \$750,000
- Test grant compliance for major federal programs
- State an opinion on compliance with major federal program requirements
- No findings noted (report to be finalized in the next 2 weeks)



Questions?