



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT

January 12, 2021

SUBJECT: Fiscal Year 2020 Audited Financial Report

PREPARED BY: Susan Mahoney, Finance Director

Recommendation

Staff recommends the City Council receive and file the audited Annual Financial Report for the fiscal year ended June 30, 2020.

Background/Discussion

Each year, an audit of the City's financial statements is conducted by an independent auditor and the results are presented to the City Council. The audit for the fiscal year ended June 30, 2020 was conducted by Moss, Levy & Hartzheim CPAs. This is the third year this firm has audited the City.

The scope of the annual audit typically includes:

1. An evaluation by the auditor that the preparation of the financial statements by City staff fairly presents the financial position of the City.
 - ***For fiscal year 2020, "It is the opinion of the auditors that the financial statements present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information."***
2. A separate audit called a Single Audit, required when the City receives over \$750,000 in federal funds.
 - ***For fiscal year 2020, a Single Audit is not required.***
3. The Management Report and Auditor's Communication Letter (Attachment 2) comments on the City's system of internal controls and provides recommendations for improvements.
 - ***The results of the auditor's tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of***

noncompliance or other matters that are required to be reported under Government Auditing Standards.

- ***The auditor had no current year recommendations.***
- ***All prior year recommendations were implemented.***

The Annual Financial Report for the Fiscal Year Ended June 30, 2020 (Attachment 1) includes a Management Discussion and Analysis (pages 7 through 15) which provides an overview of the City's financial activity.

The following are some key highlights reported in the financial report:

- The fund balance of the General Fund decreased \$108,825 over the prior year due mainly to increased administrative costs and lower sales tax revenue as a result of the COVID-19 pandemic.
- The City received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its FY 2019 financial report. The FY 2020 financial report has been submitted to GFOA and it is anticipated that the City will earn the award for the second year.
- The unrestricted reserve in the Water Fund increased \$282,399 over the prior year. The unrestricted reserve in the Sewer Fund increased \$280,959 over the prior year. This is mainly due to the refunding of the USDA loans.

Alternatives

The Annual Financial Report is prepared by an independent auditor and is in conformity with Generally Accepted Accounting Principles. The alternative is to not accept the report.

Fiscal Impact

There is no fiscal impact associated with this item.

Attachments

1. Annual Financial Report for the fiscal year ended June 30, 2020
2. Management Report and Auditor's Communication

**CITY OF WHEATLAND
MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER**

June 30, 2020

CITY OF WHEATLAND
June 30, 2020

TABLE OF CONTENTS

Transmittal/Management Letter	1
Required Communication under Statement on Auditing Standards No. 114.....	3
Current Year Recommendations.....	6
Status of Prior Year Recommendations.....	7



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

Members of the City Council
City of Wheatland
Wheatland, California

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wheatland (City), as of and for the fiscal year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness and therefore, significant deficiencies or material weakness may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we identified no deficiencies in the current year that we consider to be a significant deficiency in internal control.

The City's response to the findings identified in our audit is described in the current year recommendations section. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We have included in this letter a summary of communications with the members of the City Council as required by professional auditing standards. We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement. The accompanying communications and recommendations are intended solely for the information and use of management, the members of the City Council, and others within the City, and are not intended to be, and should not be, used by anyone other these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA
December 1, 2020



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DR., SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

December 1, 2020

Members of the City Council
City of Wheatland
Wheatland, California

We have audited the financial statements of the City of Wheatland (City) as of and for the fiscal year ended June 30, 2020. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 of the notes to the basic financial statements. We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management has made estimates of the estimated historical cost and useful lives of capital assets, estimated allowances for doubtful accounts, and estimates regarding contingent liabilities.. These estimates are based on historical data and industry guidelines for capital assets, historical collection data, and advice from legal counsel, respectively. We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed adjusting journal entries for fund balance, long term debt, and unearned revenue. All entries proposed were accepted by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual, combining statements for nonmajor governmental funds, combining statements for internal service funds, combining statements for agency funds and Statistical information which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA

CURRENT YEAR RECOMMENDATIONS

None noted

STATUS OF PRIOR YEAR RECOMMENDATIONS

Significant Deficiencies

2019-01 Finding – Impact fees studies not updated in a timely manner:

During our review of impact fees it was noted that multiple development impact fees were not updated and published in a timely manner. The California Government Code requires that all impact fee studies be updated every 5 years and that fees retained for more than 5 years without a supporting fee studies be returned to the original user.

Effect:

When impact fee studies are not updated in a timely manner, it is impossible for the City to justify the original collection of said fees because it is impossible to determine if impact fees were utilized for the original intended purpose or still being held for future projects in accordance with the California Government Code.

Recommendation:

We recommend that the City ensure that that all impact fees studies are updated in a timely manner to avoid noncompliance with the California Government Code.

Current Status:

Implemented.

Other Matters

2019-02 Finding – Building permits were not calculated accurately:

During the test of cash receipts, it was noted that three out of 10 building permits were not calculated properly.

Effect:

The City is not charging users based on the council approved fee schedule.

Recommendation:

We recommend that the City charges users based on the council approved fee schedule.

Current Status:

Implemented.

2019-03 Finding – Lack of control over payroll personnel files

During the test of payroll, it was noted that two out of 10 tested I-9 forms could not be located.

Effect:

When personnel documents are not obtained or retain in an appropriate manner, there is a lack of internal control over payroll personnel files that can result in incompliance with Federal, State and local laws and regulations.

Recommendation:

We recommend that the City ensure that all required personnel files be obtained and retain in an appropriate manner.

Current Status:

Implemented.