



# CITY OF CORONA

## 2015 FINANCIAL AND AUDIT RESULTS

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# INTRODUCTIONS



**Debbie Harper, CPA - Partner**  
Lance, Soll, & Lunghard (LSL)

15 years with LSL

Serve on State and National Specialty Committees  
for Local Governments

LSL has served local governments since 1929

3 office locations – Temecula Valley, Silicon Valley, and  
Orange County (serves City of Corona)

Full-service firm (tax, attestation, consulting)

Specialize in City Government  
across California





# 2014-2015 AUDIT COMMUNICATION

Audit Results are provided in three letters:

## 1. Audit Communication Letter (SAS 114 – conclusion)

- a. Summarizes the audit interaction with Management
- b. Changes and/or entries made to properly state the financials that were significant and agreed to by Management during the course of our testing
- c. Changes in accounting principles or practices
- d. Significant transactions
- e. Implemented and upcoming accounting pronouncements.

## 2. Report on Internal Controls and Other Matters

- a. Identifies any internal control deficiencies that we want to bring to your attention
- b. Identifies any compliance findings or other matters that we noted outside the internal control deficiencies that we became aware of

## 3. Opinion Letter

- a. Identifies what our opinion covers
- b. Responsibilities of Management and Auditors
- c. Our Opinion



# 2014-2015 AUDIT RESULTS

Fiscal Year 2014-2015 Audit Results were provided in these three letters:

## 1. Audit Communication Letter (SAS 114 – conclusion)

- a. No issues or difficulties with performing the audit
- b. No corrected or uncorrected misstatements noted
- c. Major changes to the City's accounting practices/principles
  - GASB 68 – Accounting and Financial Reporting for Pensions
- d. Significant disclosure this year related to the GASB 68 – Pensions
  - This was explained in Note 12 – which details out the outstanding balance of the City's net pension liability for each plan.



# 2014-2015 AUDIT RESULTS

Fiscal Year 2014-2015 Audit Results were provided in these three letters:

## 1. Audit Communication Letter (SAS 114 – conclusion)

### e. Other audit findings or issues

- Inventory Management – We noted variances between the value of the inventory listing of the Warehouse and the general accounting records of the City. The variance was immaterial and didn't impact our opinion of the financial statements, but we recommended to Management that the City perform an assessment of processes and procedures of the inventory management to identify potential areas of weakness and implement procedures to allow for proper oversight.
- Revenue and Expenditure/Expense Allocation – We noted inconsistencies in the account coding of certain expenses where a corresponding funding source within the fund or department to which the expense is coded, could not be identified. The errors noted were not material to the financial position to the related funds or the City as a whole, but we recommended an assessment of the processes to identify the potential weakness and address correcting procedure.



# 2014-2015 AUDIT RESULTS

Fiscal Year 2014-2015 Audit Results were provided in these three letters:

## 1. Report on Internal Controls and Other Matters

- a. Definition of deficiency in internal controls: The design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct, misstatements on a timely basis.
  - Payables Management – During our audit procedures it was noted that an invoice related to fiscal year 2014-2015 was paid subsequent to June 30, 2015, but was not properly recognized as an accrual. Upon further inquiry it was noted that this invoice was held at another department and not given to finance timely. We recommended alternative procedures to be taken for all City invoices and that all invoices sent to the finance department at the initial step of the process for proper tracking and then distributed to departments for proper approval proper to payment.

## 2. Opinion Letter

- a. Unmodified “clean” Opinion



## **FINANCIAL ANALYSIS**

### **COMPARISON WITH OTHER CITIES**

- **SIMILAR POPULATION**
- **SIMILAR SERVICES**

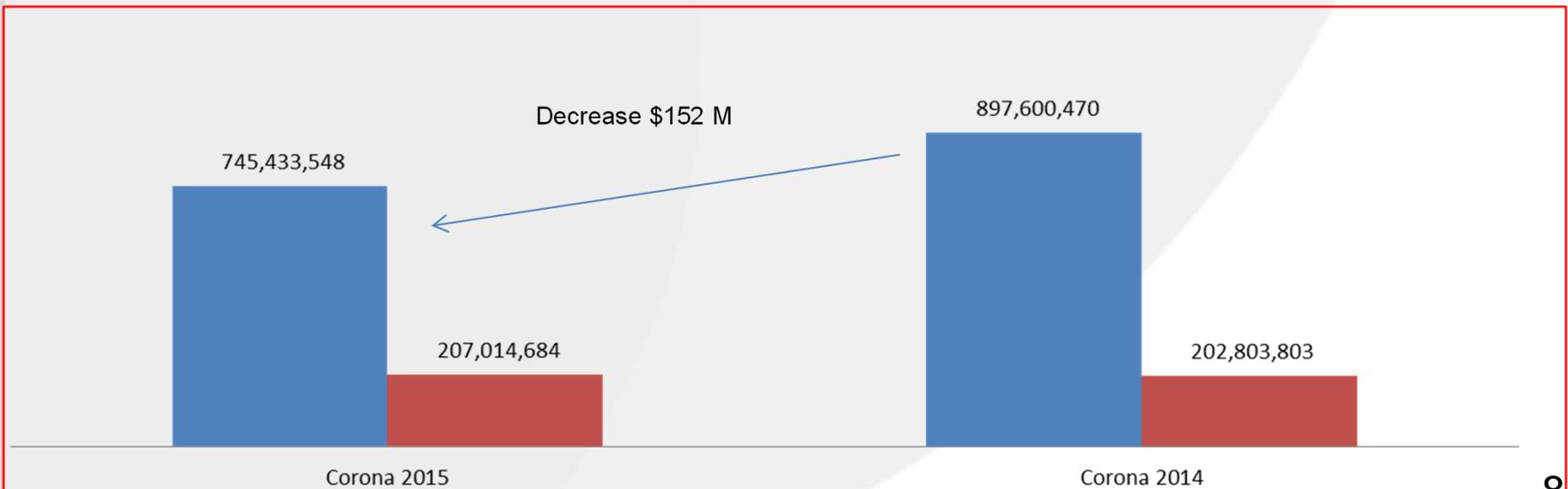
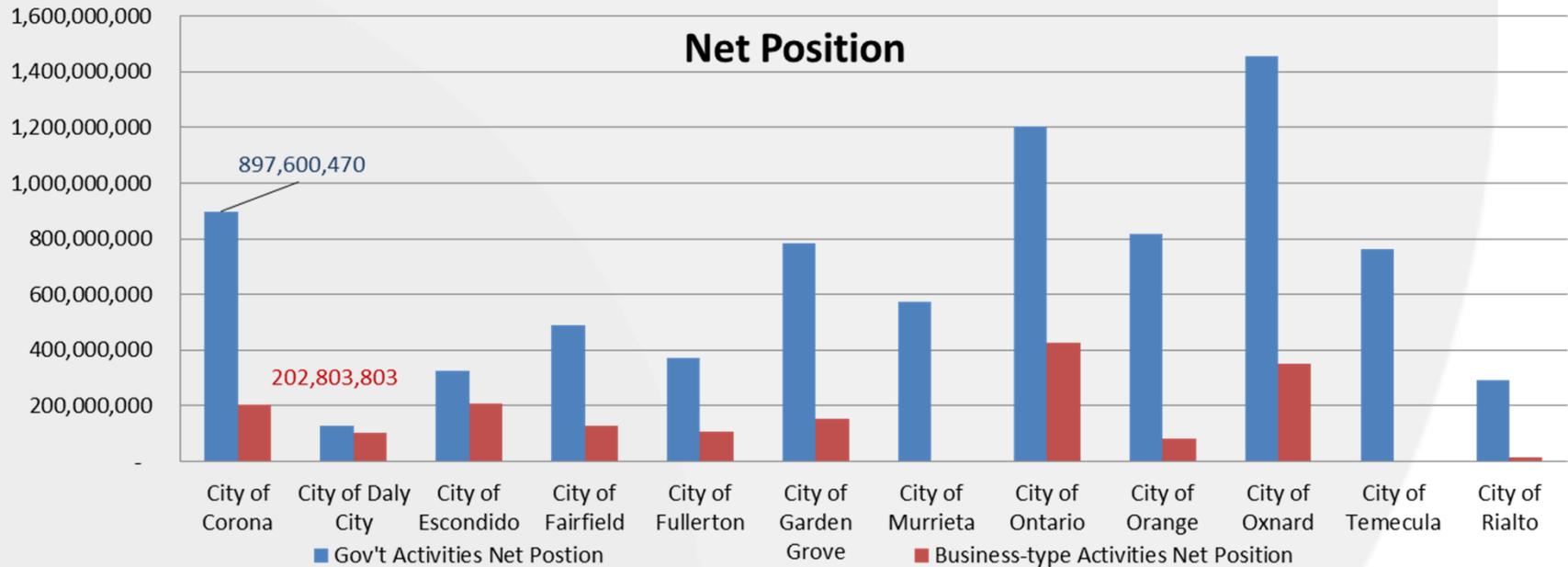
**COMPARISON FROM 2013-2014 TO 2014-2015**





## Net Position City-wide Governmental Activities and Business-type Activities

*Source: City Websites*



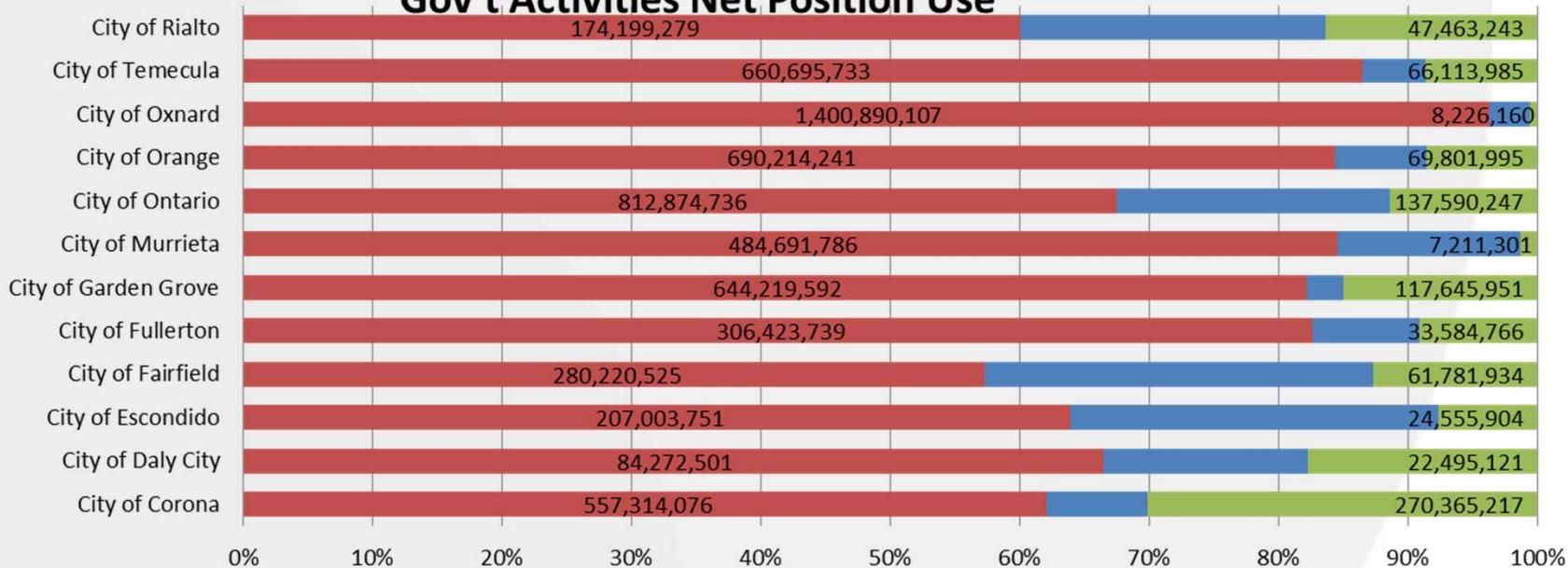
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## Net Position Use Governmental Activities Only

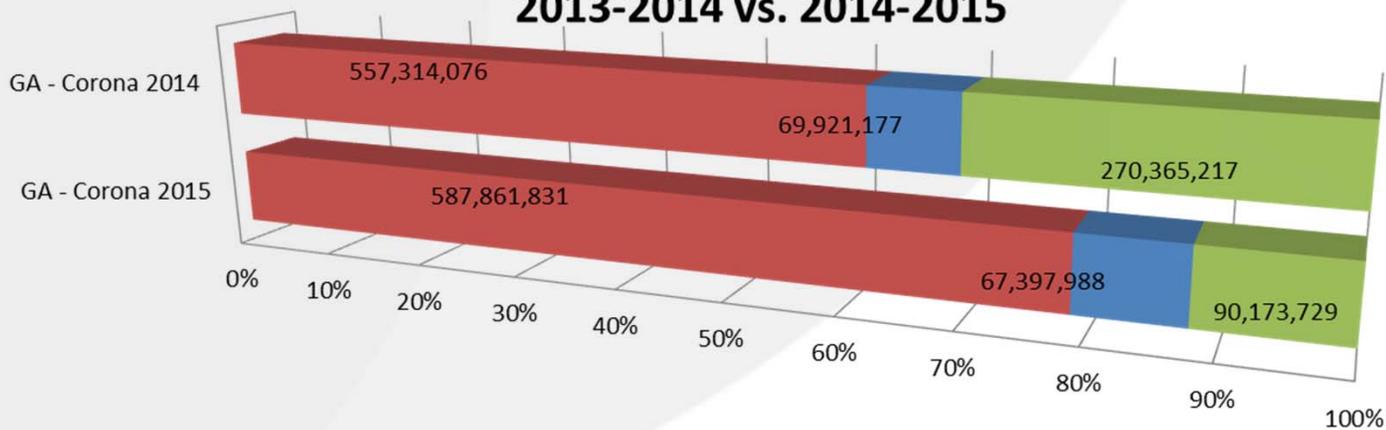
Data source: Website CAFRs

### Gov't Activities Net Position Use



- Total Net Investment in Capital Assets:
- Total Restricted Assets:
- Total Unrestricted:

### Governmental Activities Net Position 2013-2014 vs. 2014-2015



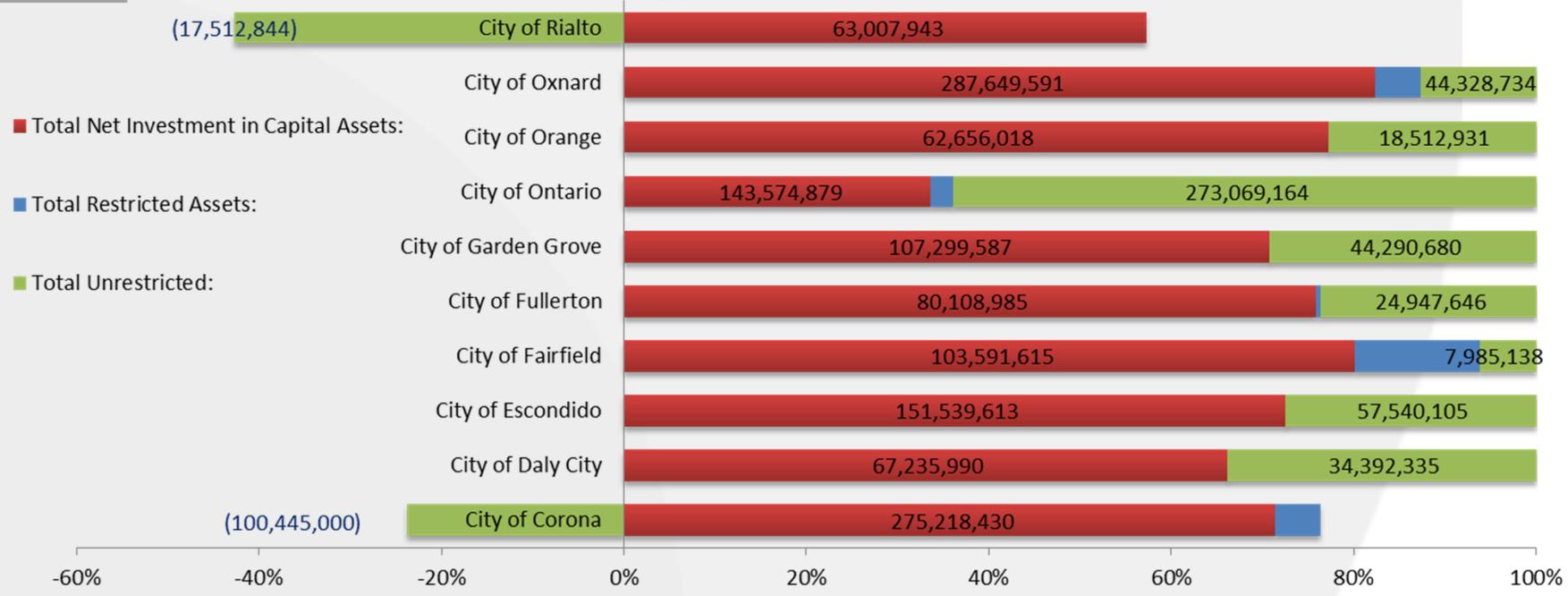
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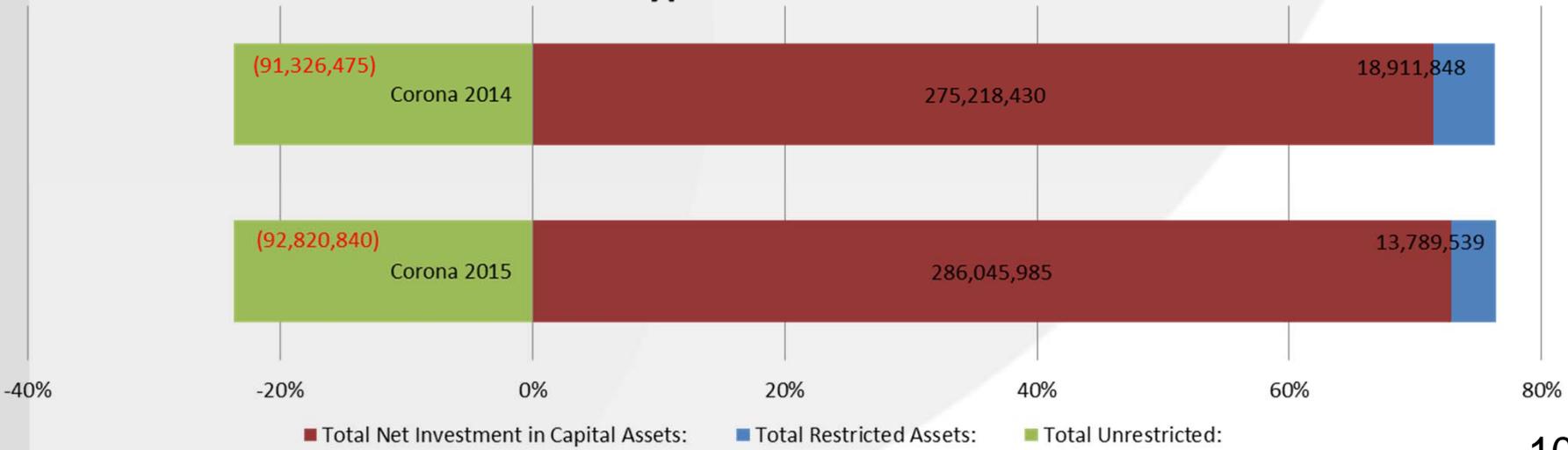
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## Net Position Use Business-type Activities Only

Source: City websites



### Business-type Activities Net Position 2014 vs. 2015

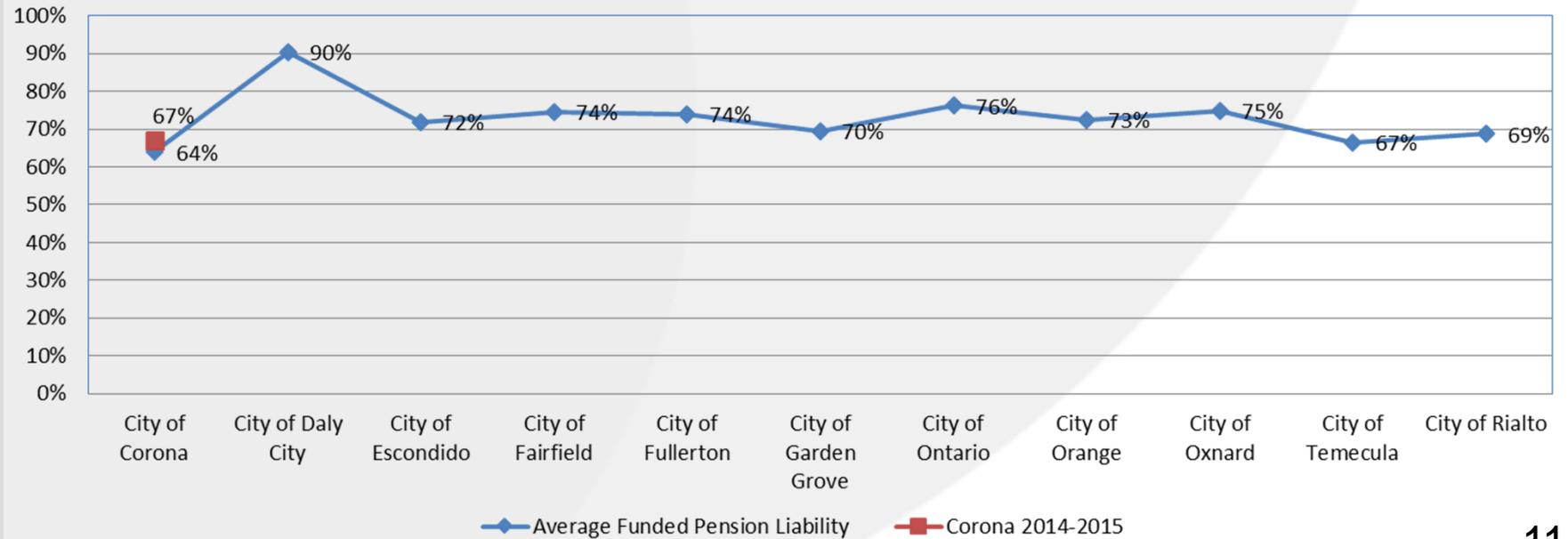
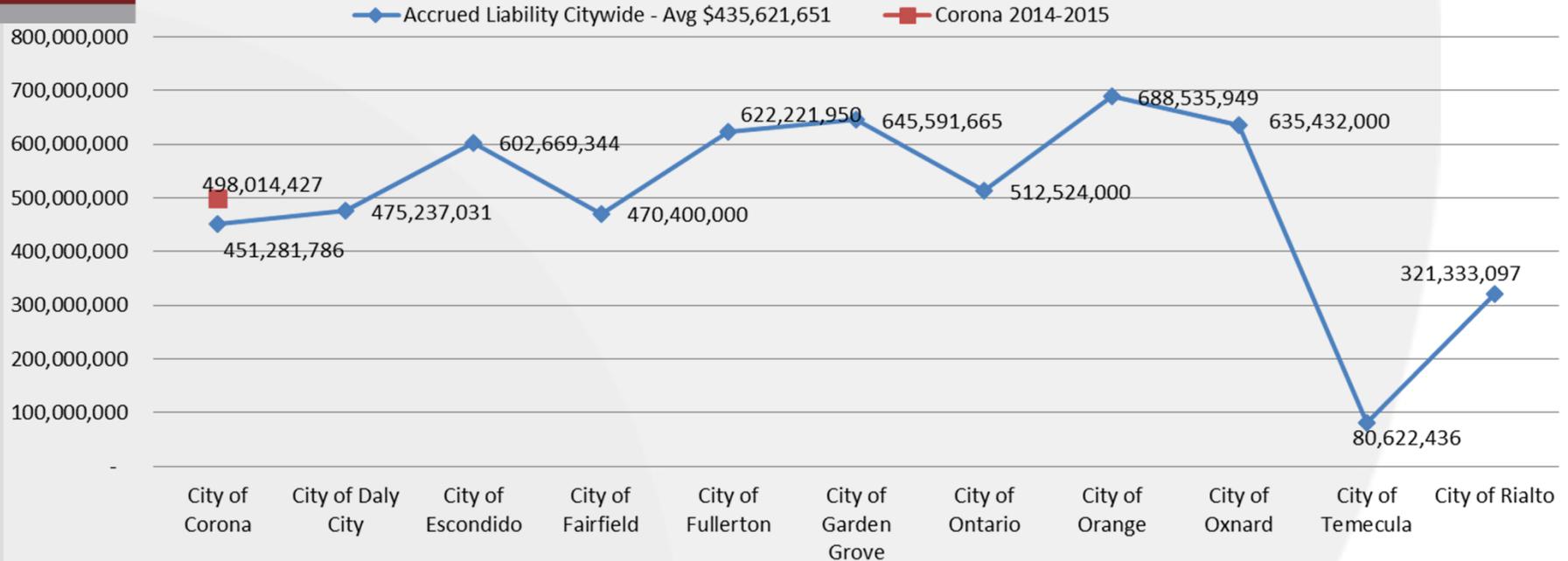




# Pension Obligations

Source: City websites

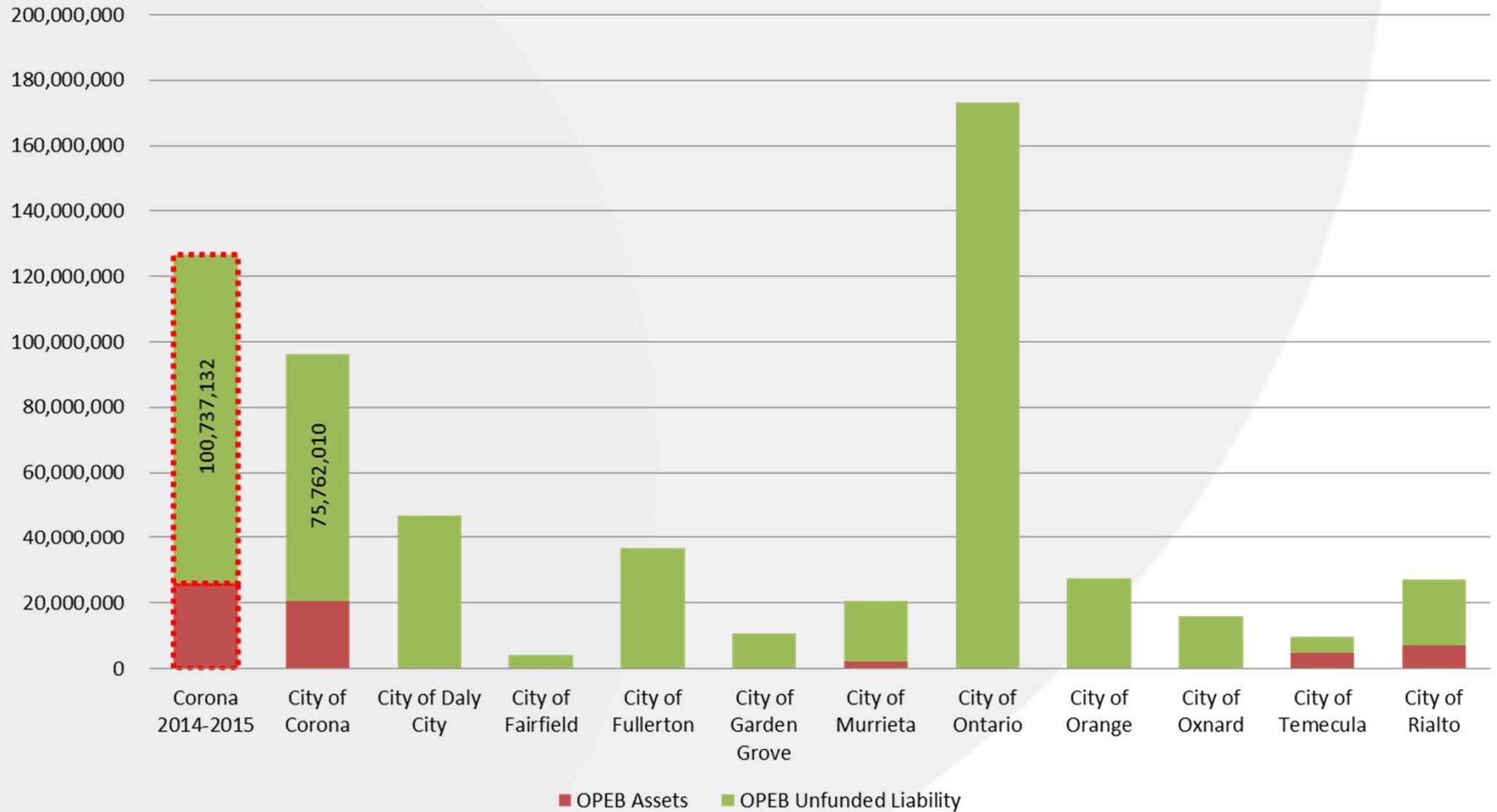
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# OPEB Obligations

Source: City websites

## OPEB Liability - 2013-2014 Comparison

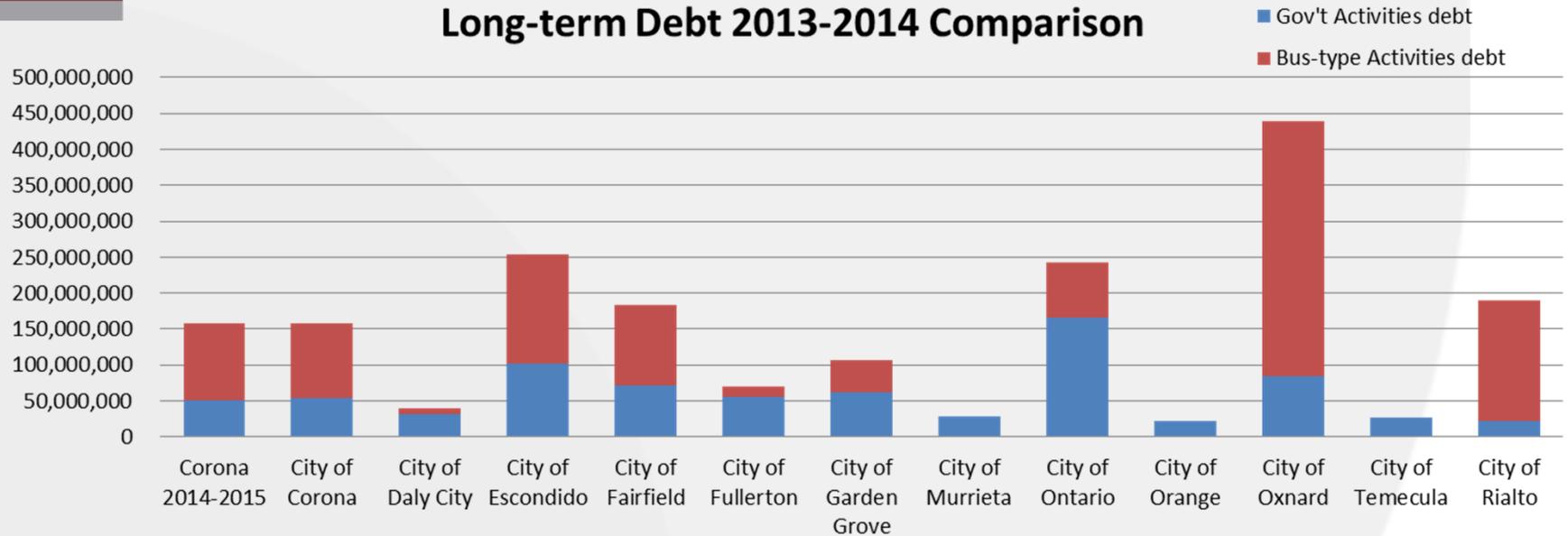


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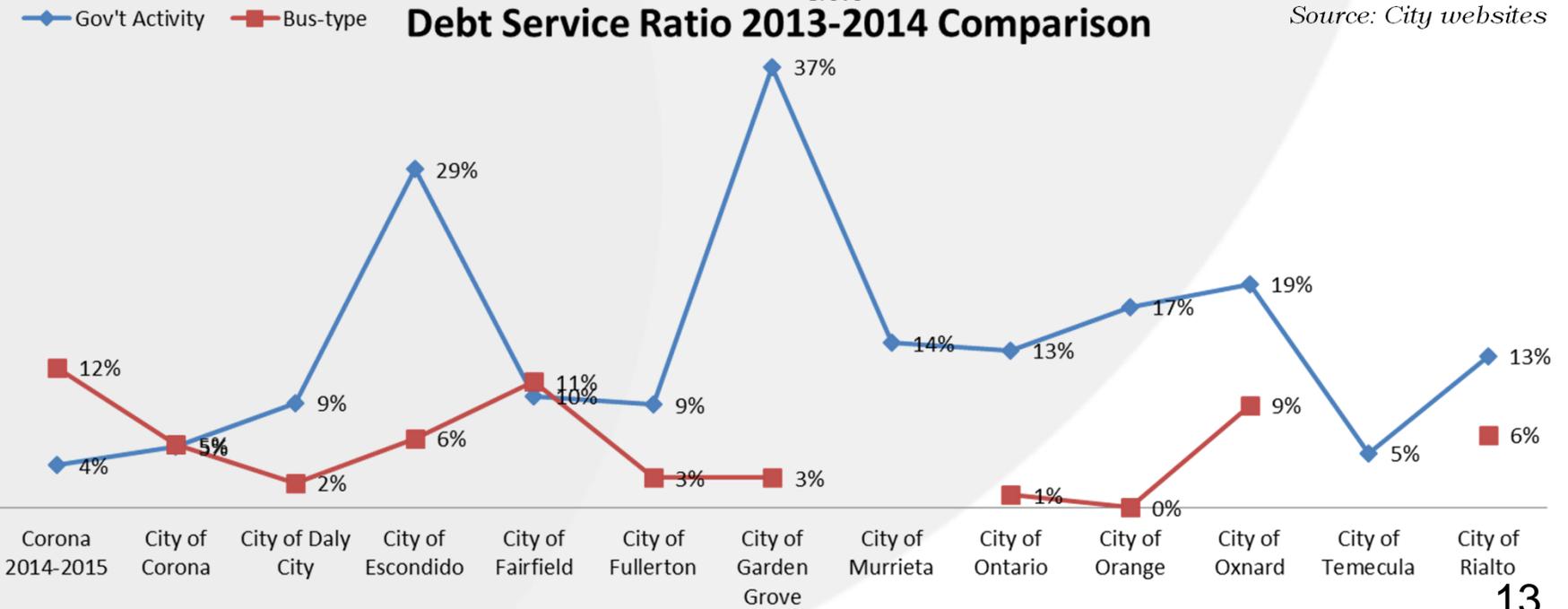


# Total Long-term Debt – Citywide Analysis

## Long-term Debt 2013-2014 Comparison



## Debt Service Ratio 2013-2014 Comparison



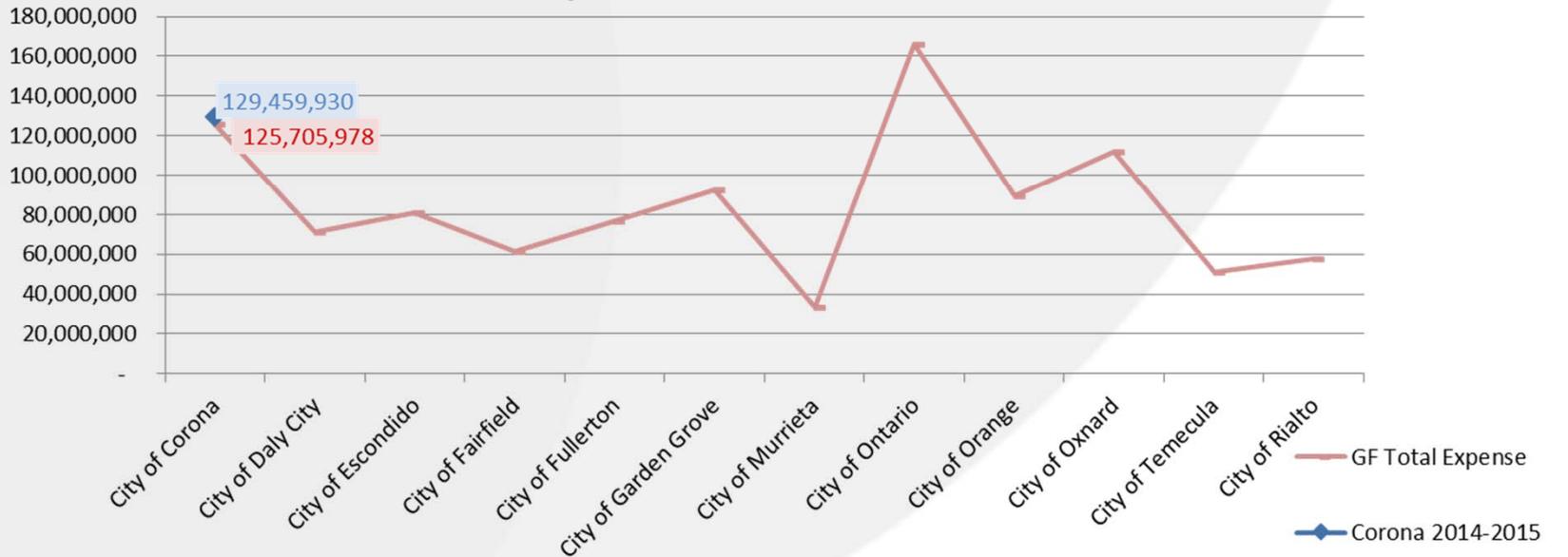
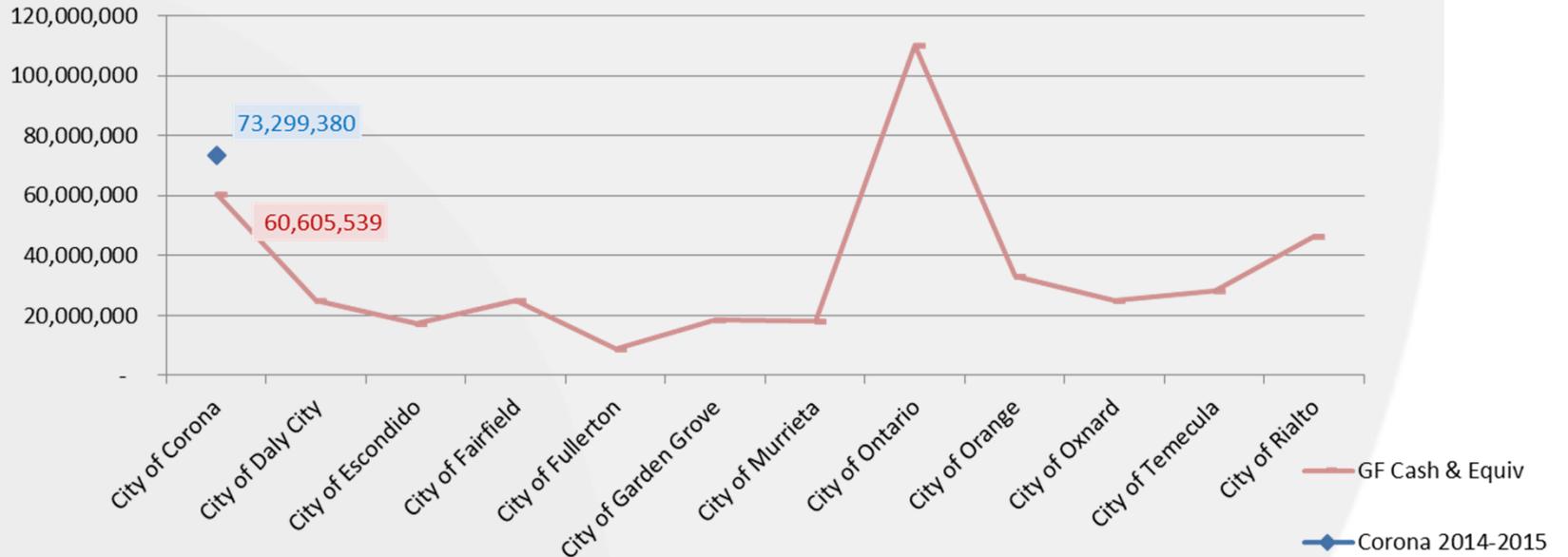
Source: City websites



## Fiscal Health of General Fund Liquidity Analysis

*Source: City websites*

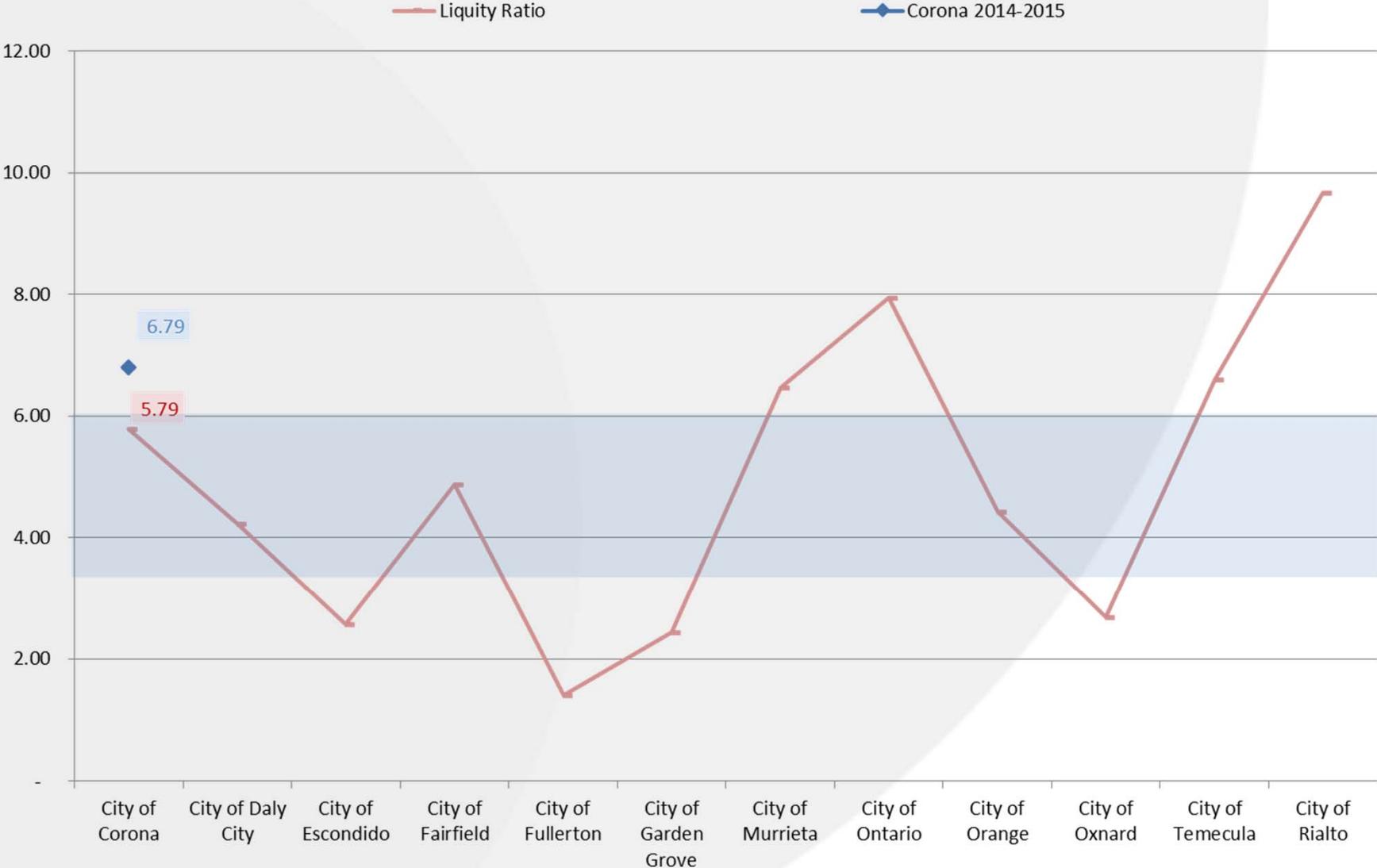
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# Fiscal Health of General Fund Liquidity Analysis

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## LOOKING TO 2014-2015

- Began the addition scope of services we discussed last year, should have results in January:
  - **Additional Scope of Services – 2014-2015**
  - Review of Wire Transfer between Financial Institutions
    - Tested 120 wire transfers for fiscal year 2014-2015
  - Review of Bank Reconciliations
    - Tested 4 bank reconciliation (1 per quarter) for fiscal year 2014-2015
  - Review of Cash Receipts
    - Tested 120 cash receipts for fiscal year 2014-2015
  - **Additional Scope of Services – 2015-2016**
  - Will come out in January to complete
    - Review of Vendor Contracts
    - Review of Inventory/warehouse processes
    - Expanded review of internal controls for accounting in multi-funded, cross functional departments



# Thank You



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