



CPAs AND ADVISORS

CITY OF CORONA
FISCAL YEAR ENDED JUNE 30, 2016
FINANCIAL AUDIT RESULTS



Focused
on YOU



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INTRODUCTIONS

- Debbie Harper, CPA
- Engagement Partner
- 15 years with LSL CPAs
- LSL has served local governments since 1929
- Full-service firm (tax, attestation, consulting)
- Specialize in City Governments across California





FY 2016 Audit Communication

- Opinion Letter
 - Our Opinion based on our scope
 - Auditor and Management responsibilities
- Report on Internal Control and Other Matters
 - Identifies any internal control deficiencies or compliance findings that we have become aware of during the course of our audit procedures
- Audit Communication Letter (SAS 114 – conclusion)
 - Summarized our interaction with management
 - Significant accounting estimated used in the financial statements
 - Changes in accounting principles or practices
 - New pronouncements implemented this year and what's to come



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Opinion Letter

- Unmodified Opinion
 - Based on our audit of significant transactions, our understanding of the City's policies and procedures, and our testwork results, we have issued an Opinion that the financials statements are free of material misstatements at June 30, 2016.



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Report on Internal Control over Financial Reporting and on Compliance and Other Matters

- Considerations of the City's Internal Controls over Financial Reporting specific to giving an opinion of the Financial Statements
- During our course of audit procedures weaknesses may come to our attention and communicated to Management and to you in this letter.



Significant Deficiency

- A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in a normal course of performing their assigned function, to prevent, or detect and correct misstatements in a timely manner
- Our deficiency was noted in the significant transaction class of Capital Assets
- Completed projects of capital assets were not capitalized in a timely manner causing an adjustment in the current year to the financial statements



Management's Response and Action

- Construction in Progress (CIP) assets in the amount of \$5.2M was identified as completed projects in prior years and were not capitalized, resulted in \$2.6M restatement to the beginning net position due to unrecorded depreciation
- Management's action and changes taking place include:
 - 1) Obtain information during the budget process to identify CIPs that will no longer be receiving future funding
 - 2) Enhance communication with departments citywide regarding Fixed Assets Reports filing with the Finance Division
 - 3) Expand the financial system's capacity to better track project progress



Audit Communication Letter (SAS 114 – conclusion)

- Significant Audit Findings
 - Accounting Practices
 - Significant and Appropriate Estimates: OPEB and Pension Liabilities
 - No Difficulties Encountered in Performing the Audit
 - No Corrected and Uncorrected Misstatements found by the auditors
 - Capital Asset entry was identified and corrected by Finance Division prior to audit
 - No Disagreements with Management to disclose
 - Management Representation includes a letter to the auditors regarding their acceptance of responsibilities and disclosures of no known errors or fraudulent activities to communicate to auditors



Audit Communication Letter (SAS 114 – conclusion)

- **CURRENT YEAR - New Accounting Pronouncements included in the 2016 Financial Statements**
 - Fair Value Measurement and Application (footnote disclosure changes only) – GASB 72
- **FUTURE YEAR – New Accounting Pronouncements**
 - OPEB Liability and Plan Funding Reporting – GASB 74 & 75
 - Tax Abatement Disclosures – GASB 77
- **FUTURE YEAR - New Auditing Standards**
 - Integrated Opinions on Effectiveness of Internal Controls over Financial Reporting available for financial audits – SAS 130



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FINANCIAL ANALYSIS

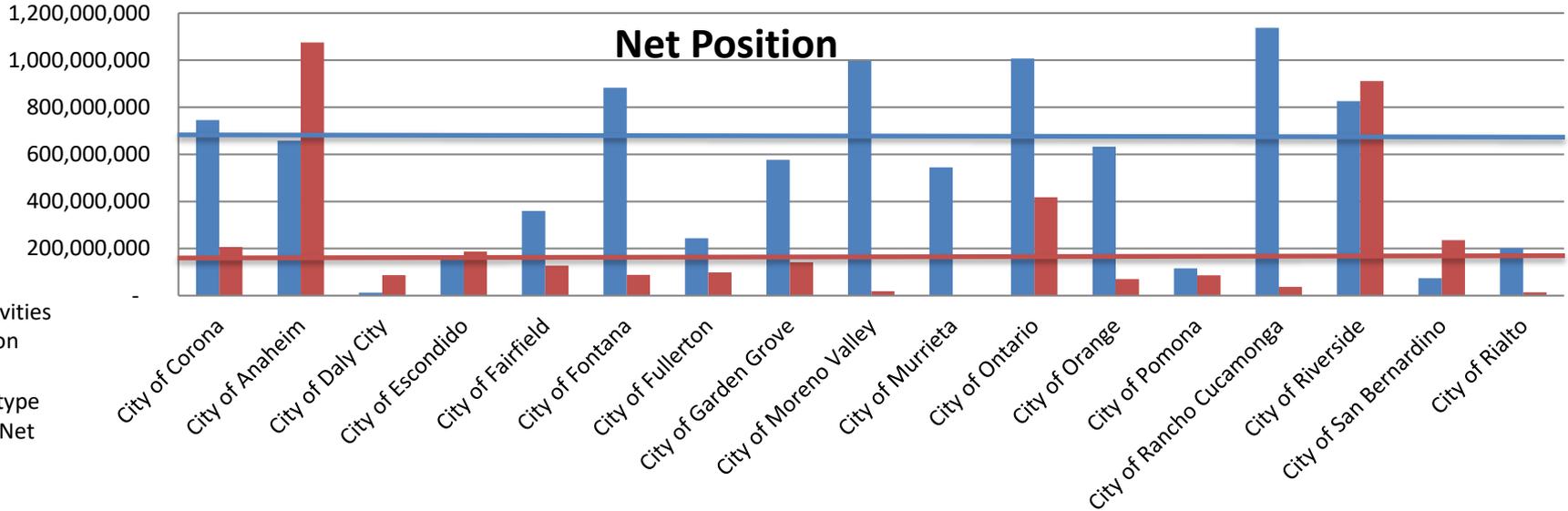
FY 2014-2015 TO FY 2015-2016

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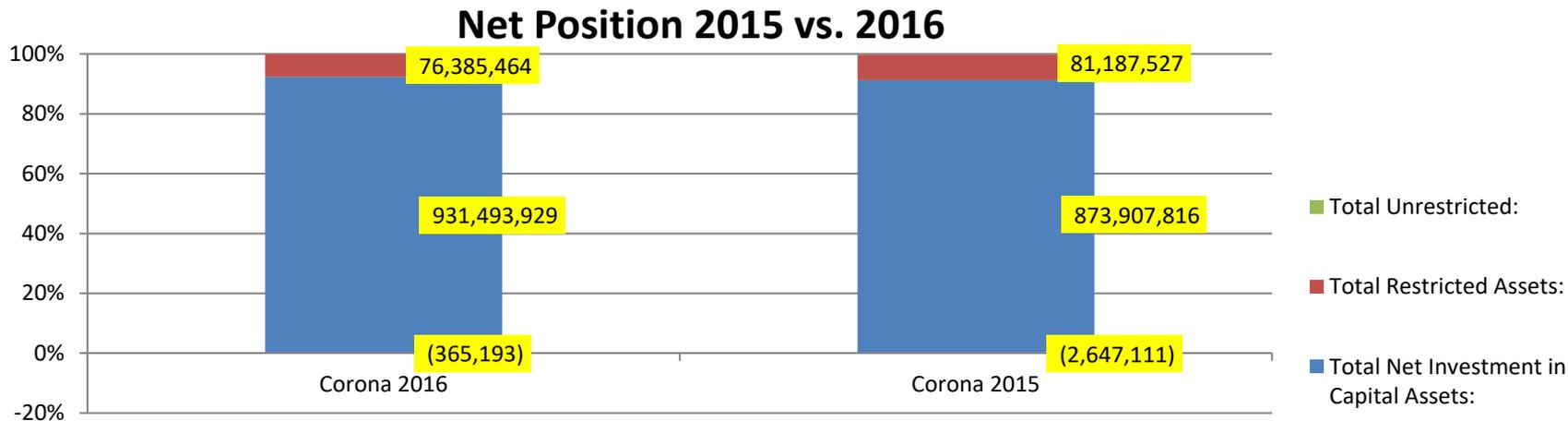


Net Position City-wide Governmental and Business-type Activities

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■ Gov't Activities Net Postion
■ Business-type Activities Net Position



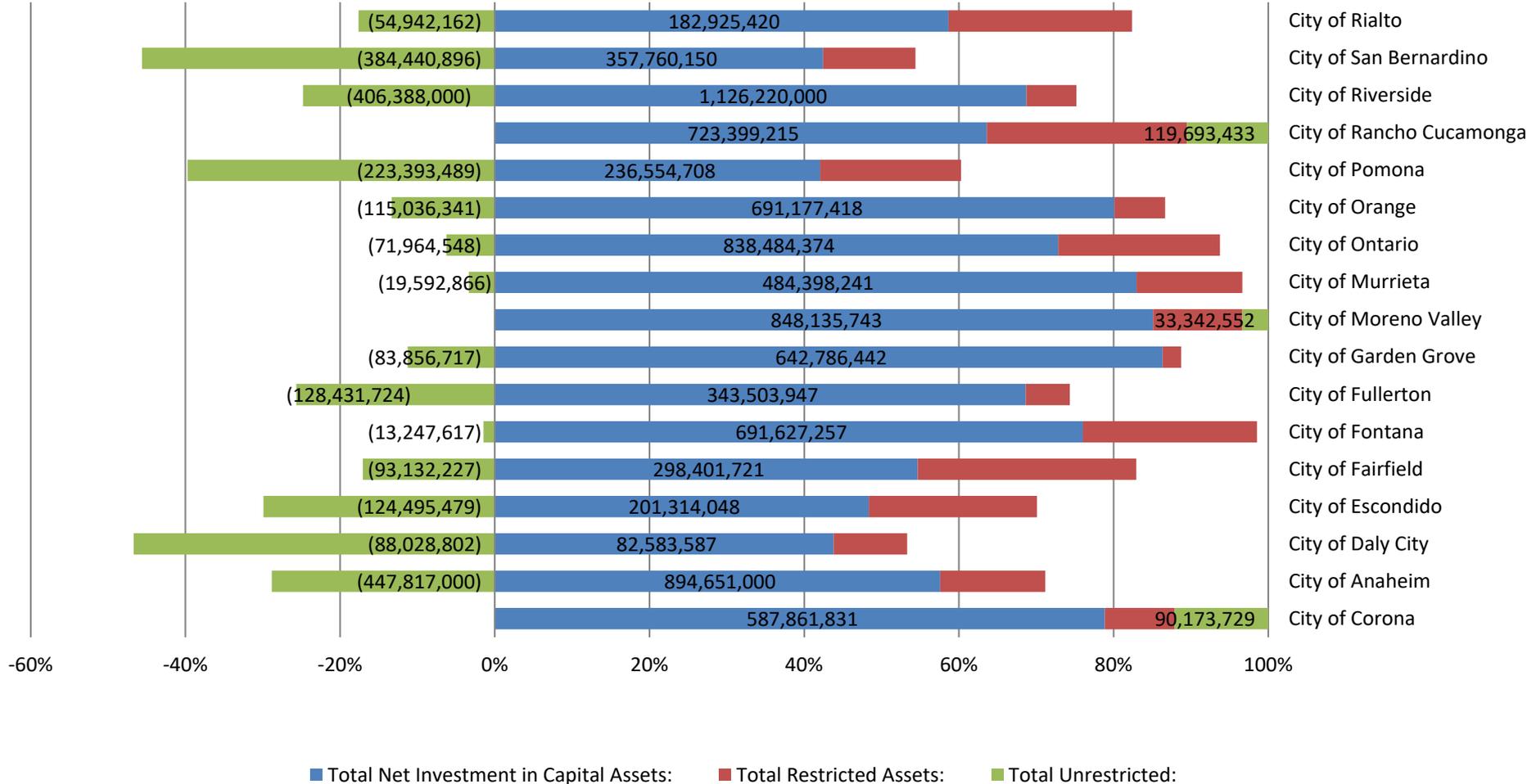


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Data source: Published CAFRs 2015

Net Position Use – Governmental Activities Only

Gov't Activities Net Position Use

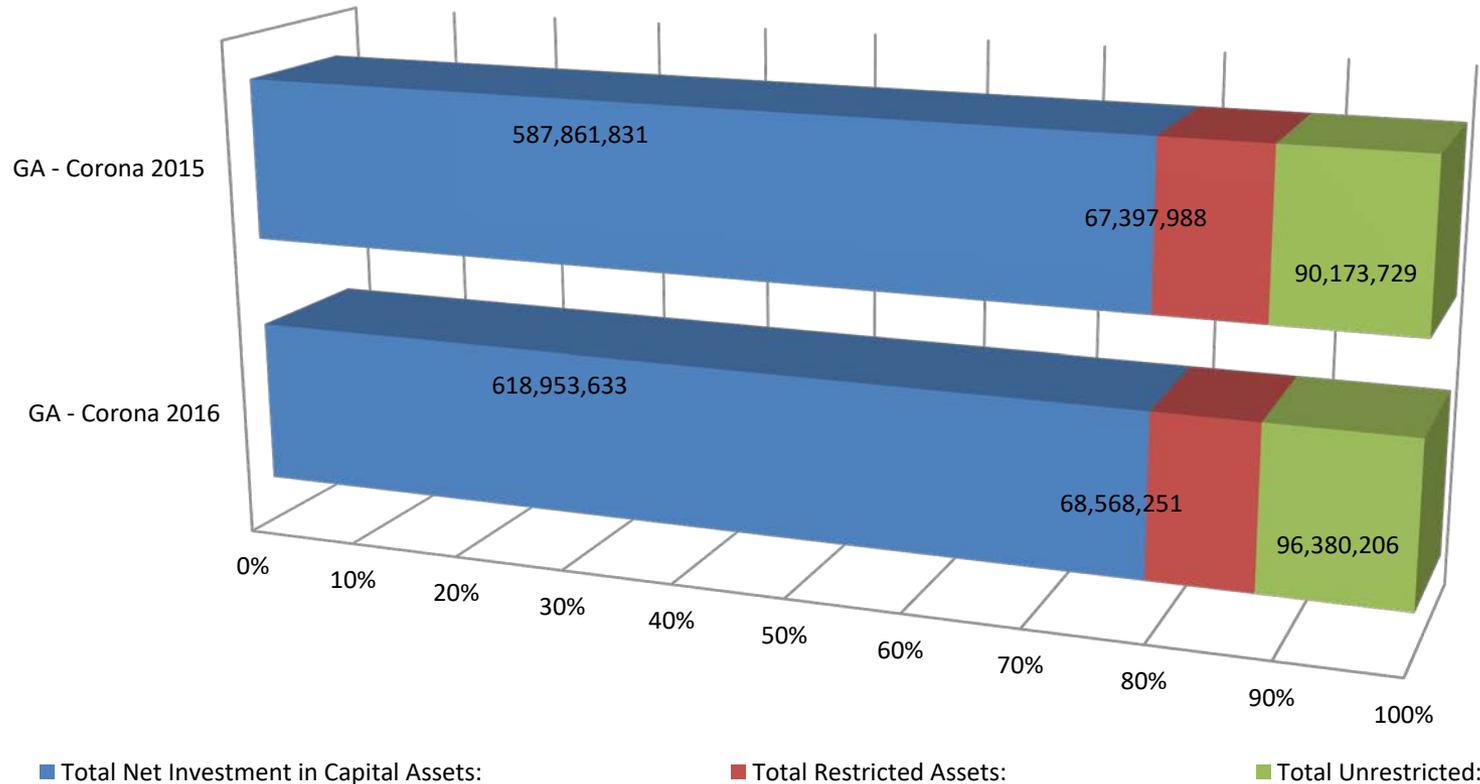




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Corona 2015 vs 2016 Governmental Activities only

Governmental Activities Net Position 2015 vs. 2016

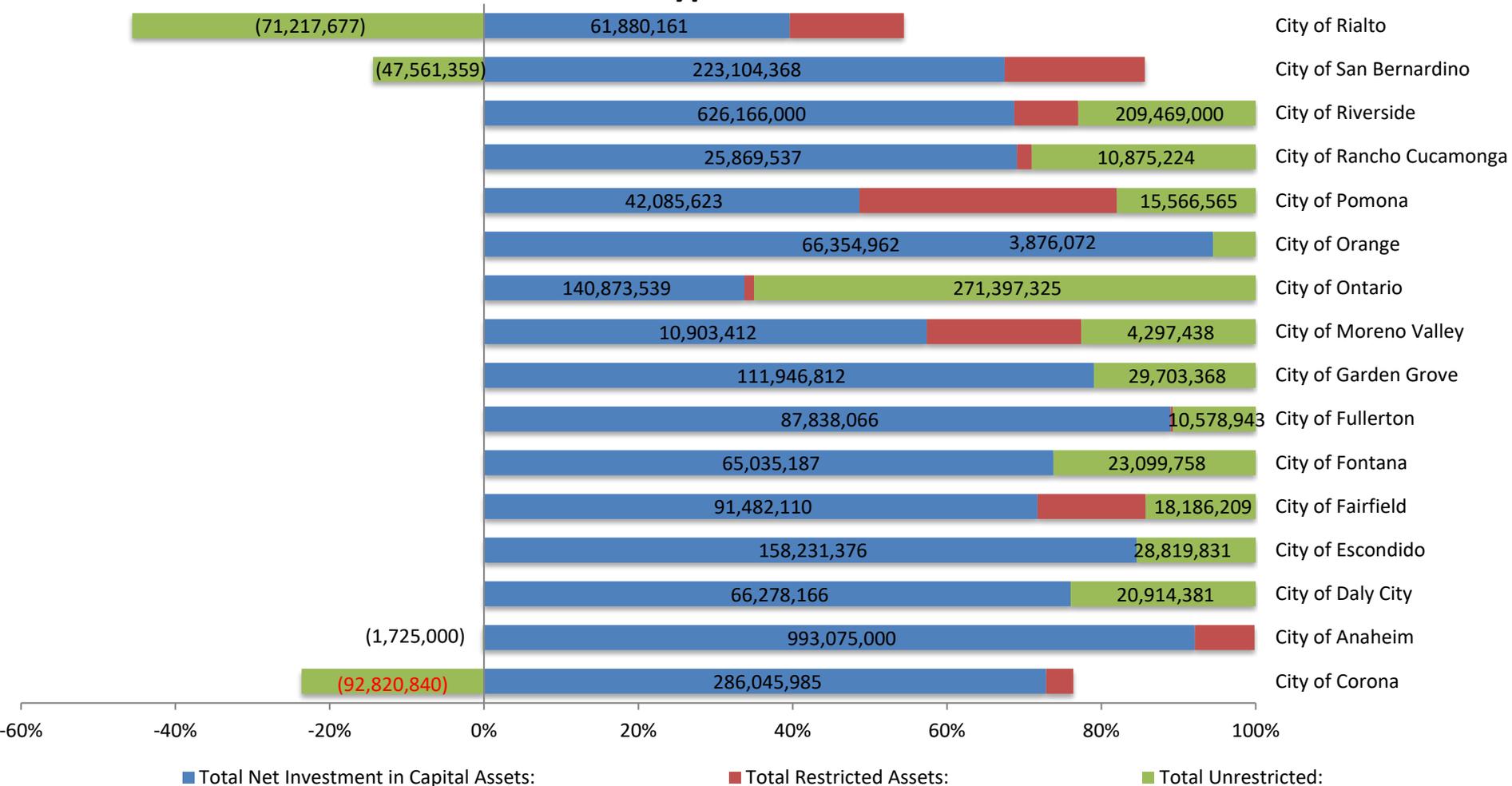




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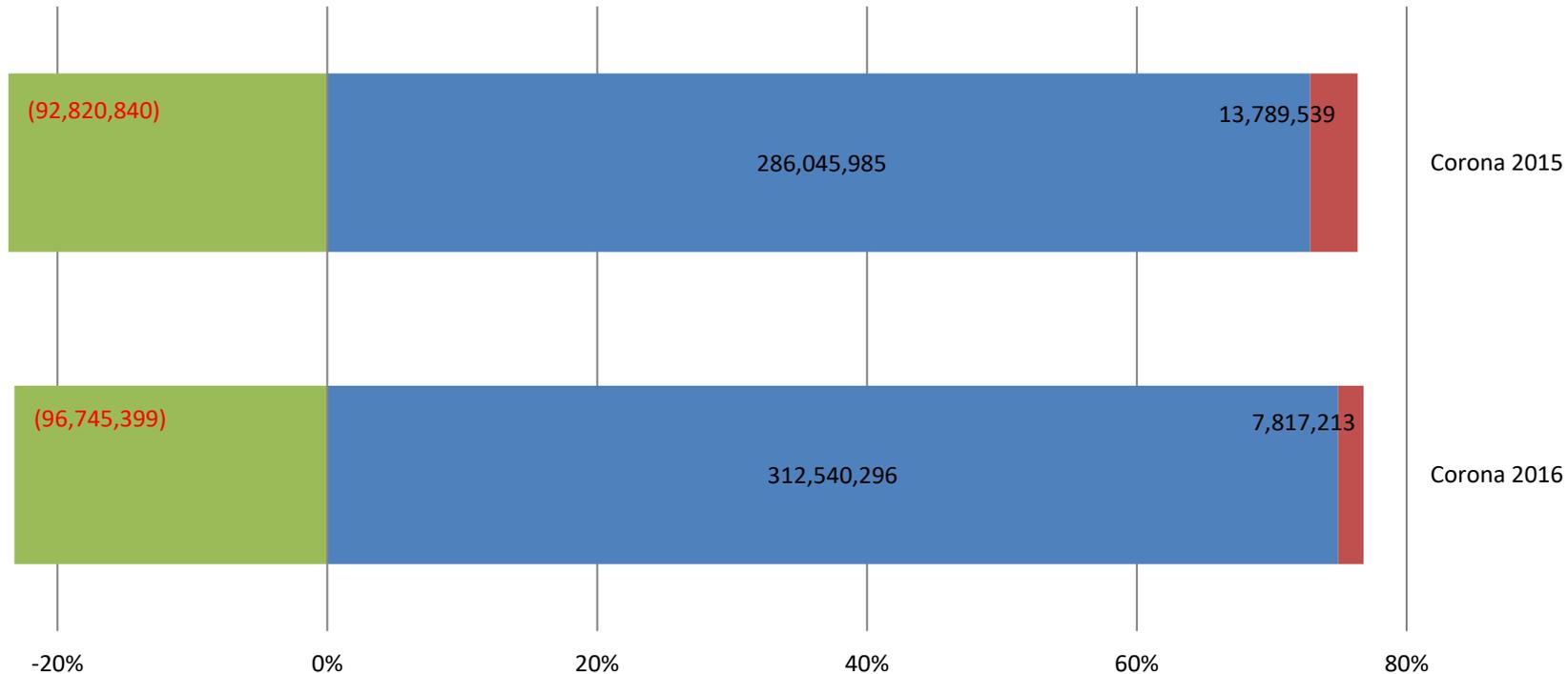
Net Position Use – Business-type Activities Only

Business-Type Net Postion Use



Corona 2015 vs 2016 Business-type Activities only

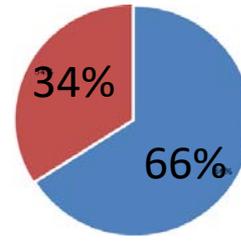
**Business-type Activities Net Position
 2015 vs. 2016**



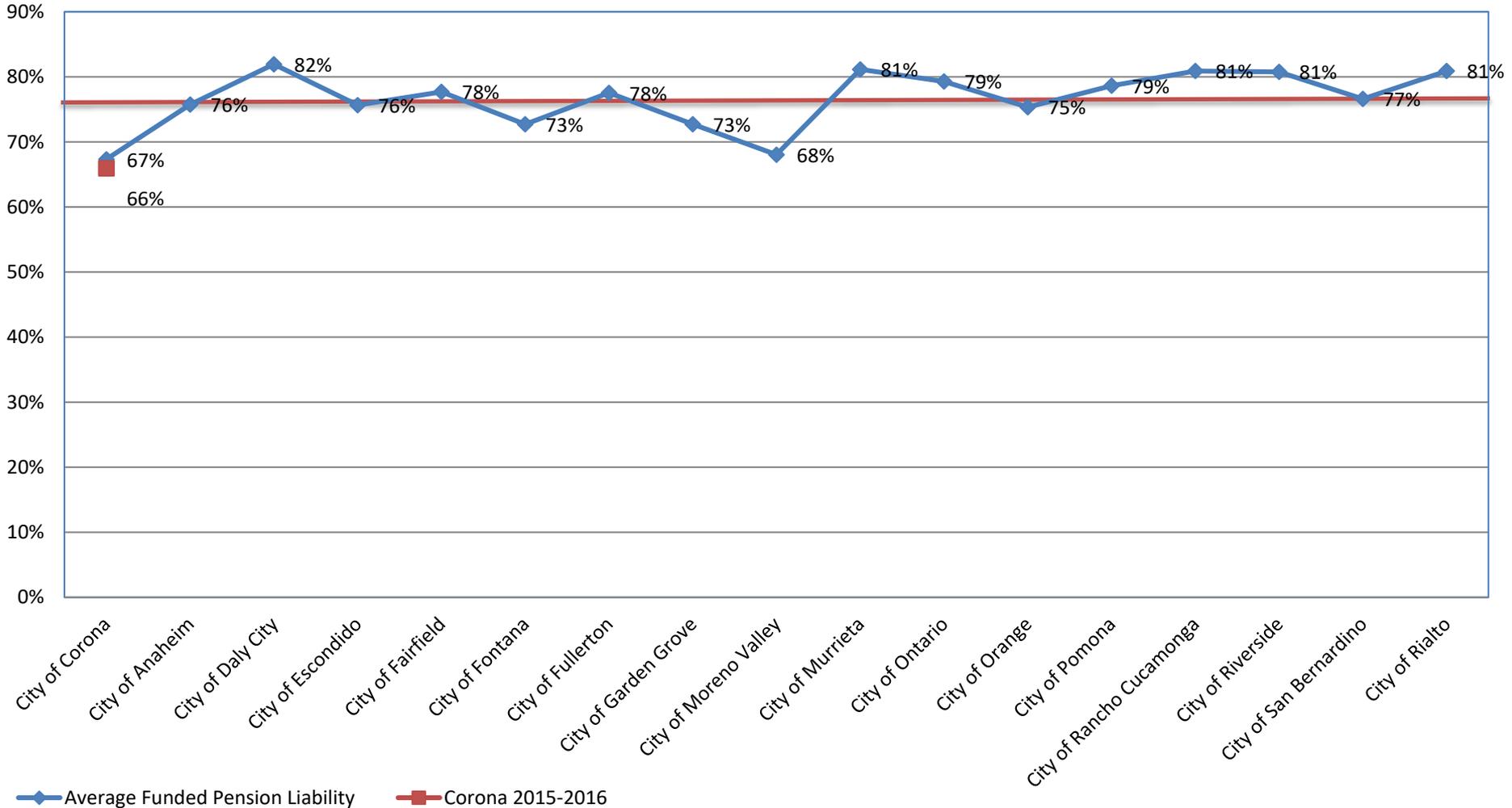
■ Total Net Investment in Capital Assets: ■ Total Restricted Assets: ■ Total Unrestricted:



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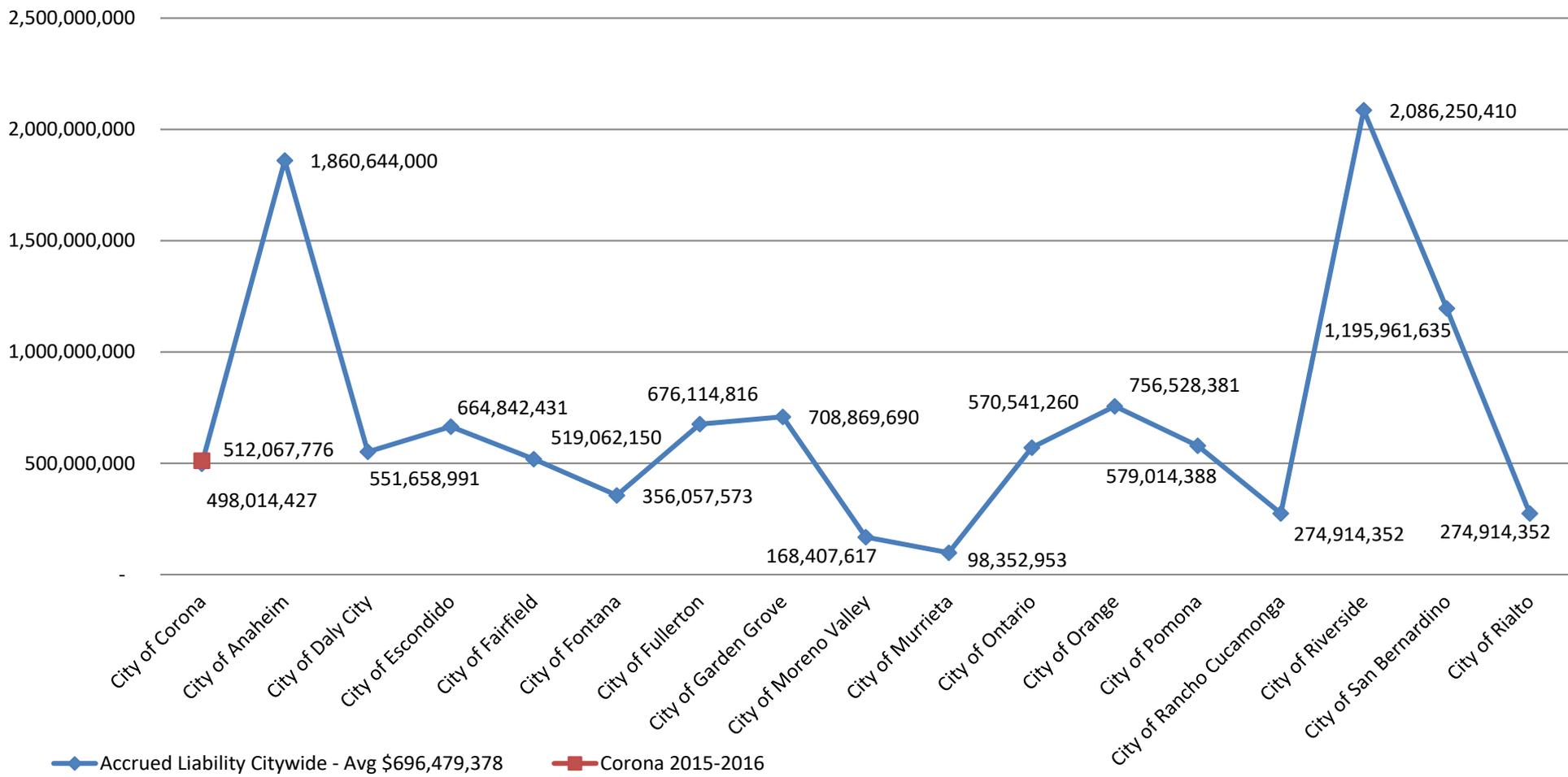
Pension Obligations Funded percentage





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Pension Obligation Total Pension Liability

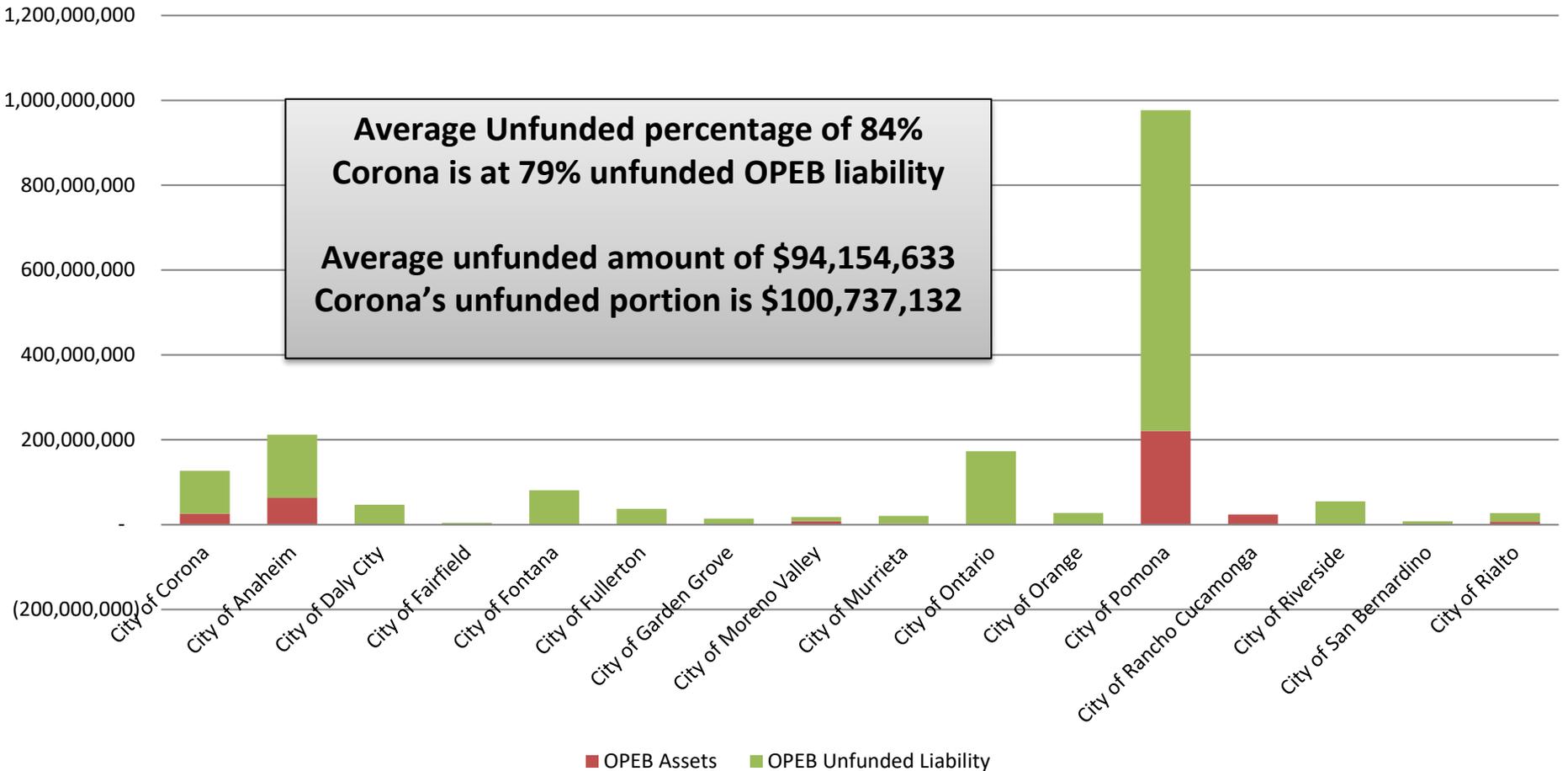




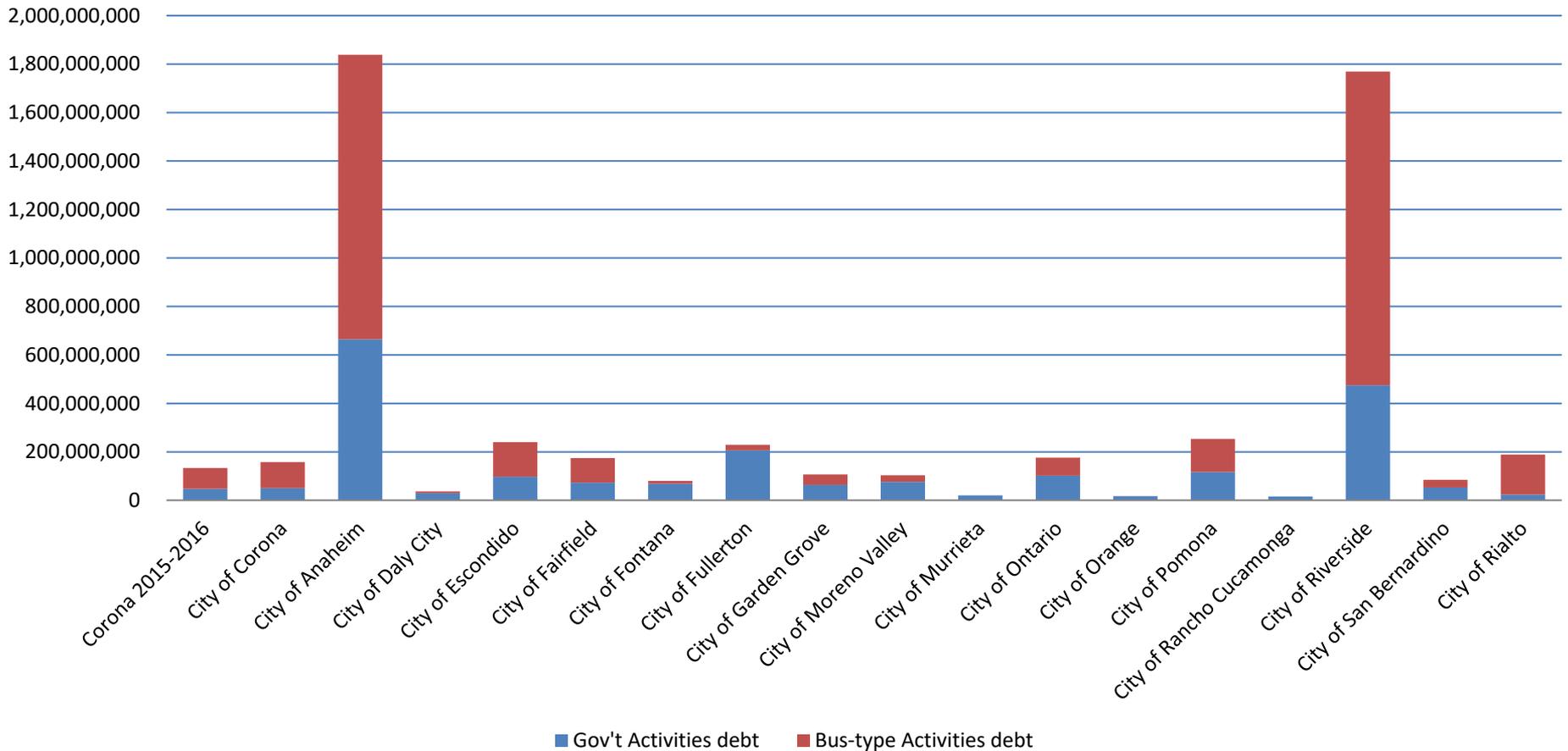
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OPEB Obligation

OPEB Liability - 2015 Comparison



Long-term Debt 2014-2015 Comparison

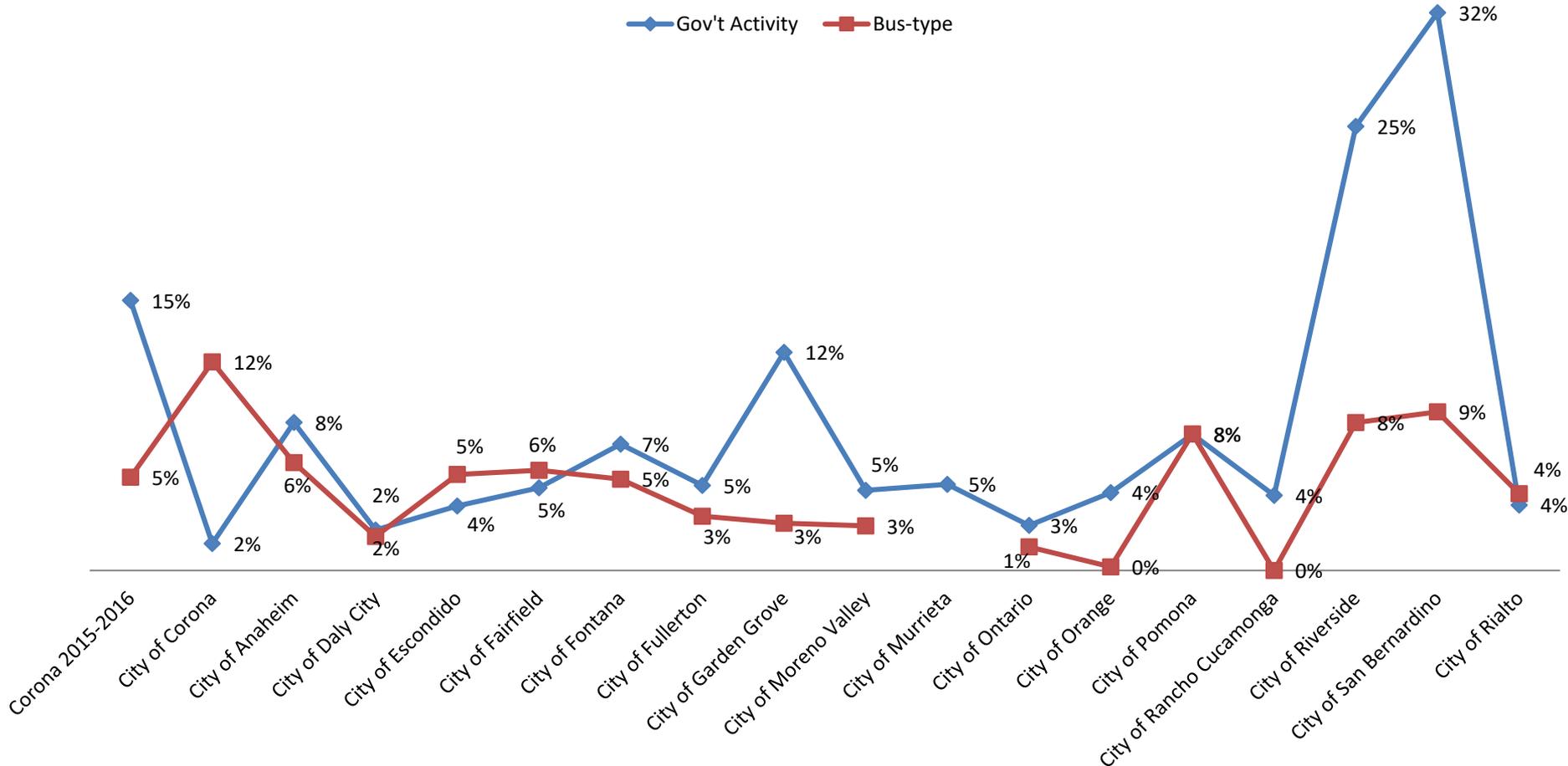




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Short-term payments to revenues Governmental vs Business-type

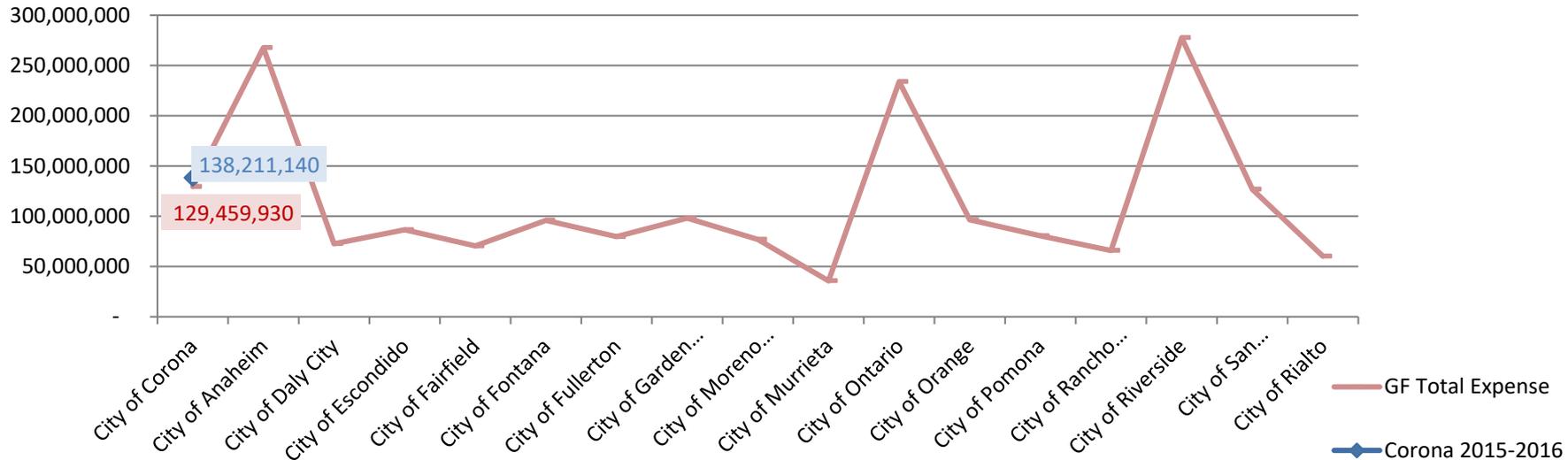
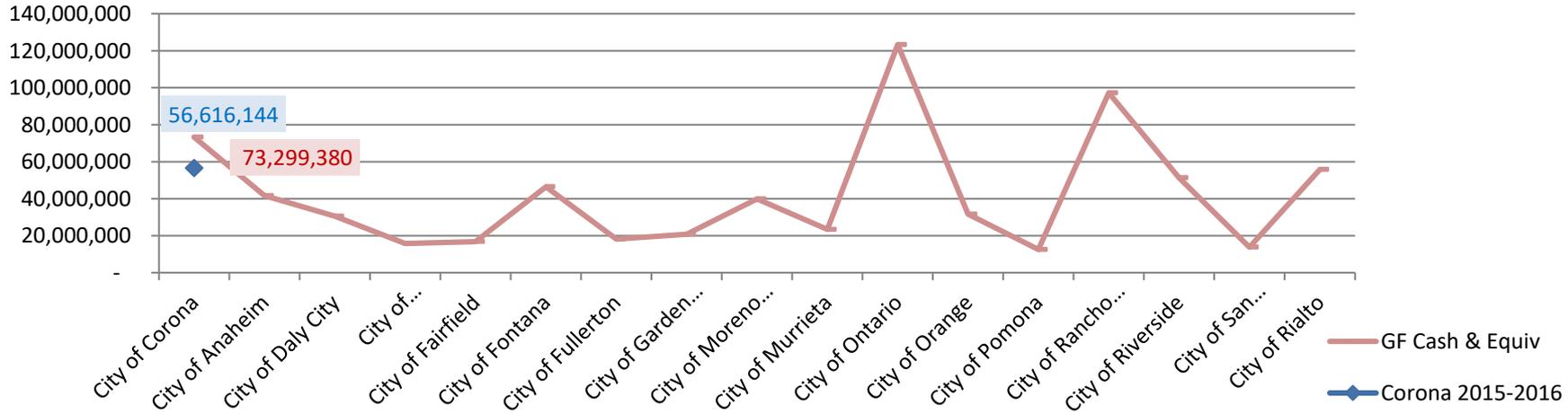
Debt Service Ratio 2014-2015 Comparison





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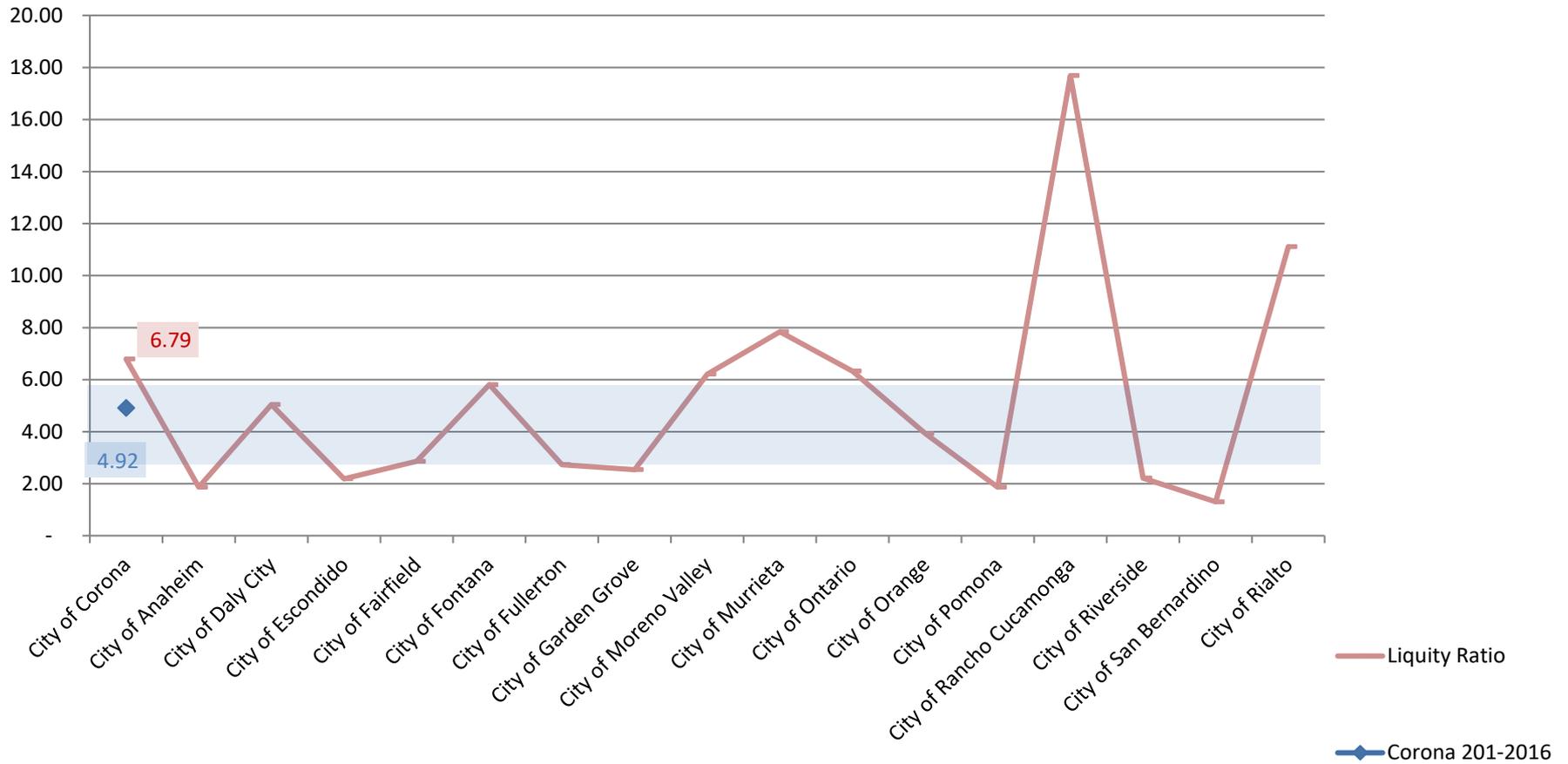
Fiscal Health of General Fund Liquidity Analysis





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Liquidity Ratio





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Future cost increases provided by CalPERS

Projected Employer Contribution Rate

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Misc.	38.372%	41.853%	45.781%	49.873%	52.597%	55.486%	57.849%
Police	42.856%	45.204%	49.129%	53.231%	56.254%	58.888%	61.081%
Fire	35.191%	39.585%	44.651%	50.023%	53.301%	56.847%	59.427%
Fire PERRA	12.859%	12.763%	12.764%	12.797%	12.831%	12.852%	12.866%

Projected Employer Contribution Amount

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative Increase	% Change
Misc.	10,571,358	11,530,359	12,612,673	13,739,898	14,490,320	15,286,265	15,937,158	5,365,801	50.76%
Police	7,854,963	8,285,412	9,004,733	9,756,670	10,310,585	10,793,410	11,195,480	3,340,517	42.53%
Fire	3,533,923	4,028,033	4,483,838	5,023,298	5,352,484	5,708,592	5,967,740	2,433,817	68.87%
Fire PERRA	53,262	52,861	52,867	53,001	53,143	53,230	53,290	29	0.05%
Total	\$ 22,013,505	\$ 23,896,665	\$ 26,154,112	\$ 28,572,868	\$ 30,206,533	\$ 31,841,498	\$ 33,153,669	\$ 11,140,164	

Additional Procedures Performed Fiscal Year 2015-2016

- Purchasing, Procurement, and Cash Disbursements
 - Results provided for City, excluding DWP was provided on March 10, 2016
 - DWP results were provided on March 1, 2016
- Inventory Review
 - Results for the policies and procedures which recommendations were provided on January 26, 2016



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Additional Procedures Selected Fiscal Year 2016-2017

- Fire Department
 - EMS Billing and write-off/adjustment procedures and processes
 - Control Procedures for timekeeping in Telestaff transition to OneSolution's payroll system – including record review, approval and adjustments
 - Fire prevention inspection permitting process annually or bi-weekly) – control procedures including cash handling and permit issuance



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Additional Procedures Selected Fiscal Year 2016-2017

- **Police Department**
 - Animal Control cashiering / transaction processing (off-site)
 - AB109 / PACT Reimbursements (new to City)
 - COPS Hiring Grant
 - Evidence Cash / Safe Holding processing and reporting
 - DUI Billings and write-offs
 - Timekeeping system – Review the integrity of the payroll process to ensure accuracy, and identify redundancy in order to streamline.