



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

PREPARED BY: Lincoln Bogard, Administrative Services Director
Lincoln Bogard, Administrative Services Director

MEETING DATE: August 27, 2024

SUBJECT: City of Banning Fiscal Year 2022-23 Annual Comprehensive Financial Report (ACFR), Banning Utility Authority (BUA) FY 2022-23 Financial Statements, City of Banning FY 2022-23 GANN Limit Agreed Upon Procedures (AUP) Report, City of Banning FY 2022-23 Single Audit Report, and related Management Letters and Governance Letters

RECOMMENDATION:

Receive and file City of Banning Fiscal Year 2022-23 Annual Comprehensive Financial Report (ACFR), Banning Utility Authority (BUA) FY 2022-23 Financial Statements, City of Banning FY 2022-23 GANN Limit Agreed Upon Procedures (AUP) Report, City of Banning FY 2022-23 Single Audit Report, and related Management Letters and Governance Letters.

BACKGROUND:

After the conclusion of each fiscal year, an independent auditor (currently Eide Bailly LLP) reviews the reporting of the City's financial statements in accordance with industry accounting standards. The result is an "Annual Comprehensive Financial Report (ACFR)". It includes financial statements for the City of Banning, the Banning Utility Authority, and the Banning Successor Agency of the Former RDA. It also contains the independent auditor's report, which describes the scope of the audit as well as the auditor's opinion on the financial statements. For this past Fiscal Year 2022-23 ACFR, the City received an "qualified and unmodified" opinion. A "qualified" opinion occurs when an area(s) exist that were not able to be audited. The City did not have an auditor as of June 30, 2023, so the new auditors were not onsite to verify ending inventory counts. An "unmodified" opinion is only issued when there are no significant reporting issues, the financial statements are free of material misstatements, and information is presented in accordance with Generally Accepted Accounting Principles (GAAP). This opinion indicates that the City's financial condition, position, and operations are fairly presented in the financial statements. This is important to financial statement users and provides comfort to the City's creditors, while enabling the City to obtain better interest rates on any new debt issuances.

City management assumes full responsibility for the completeness and reliability of all the information presented in the ACFR. The City is continuing to establish a comprehensive internal control framework designed to protect the City's assets from loss, theft, or misuse and provide sufficient reliable information that the City of Banning's financial statements are in conformity with GAAP. The cost of internal controls should not outweigh the resulting benefits and internal controls are designed to provide reasonable assurance, not absolute assurance, that the financial statements will be free from material misstatements. City management asserts that, to the best of our knowledge and belief, the financial data provided to the auditor is complete and reliable in all material respects.

JUSTIFICATION:

The City received the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association for its Fiscal Year 2021-22 ACFR, its third consecutive award.

During the audit, staff provided all requested information to the auditors. We received the final audit opinion on Wednesday, July 31st, 2024. The ACFR is posted below as Attachment 1.

Staff successfully implemented new reporting requirements for GASB 96 – Software Based Information Technology Arrangements (SBITA), but that was the only GASB requirement due for implementation by the city this year. The “Management Letter” from last year’s ACFR noted one matter for consideration that staff expects to be fully corrected for Fiscal Year 2023-24 ACFR issuance.

Per City request, the new auditors performed a deep dive and identified ten current year adjustments and seven prior year adjustments. Four of the current year adjustments involved the 60-day revenue lookback, which staff is changing to a 90-day revenue lookback to better align with the timing of revenue receipts. Three of current year adjustments dealt with Lease and SBITA accounting entries, which implemented in Fiscal Years 2021-22 and 2022-23, respectively. Management is conducting training with staff on all accounting adjustments identified. Most of the prior year adjustments dated back several years. Other material weakness findings related to year-end inventory counts (performed on June 27, 2024) and timeliness of bank cash reconciliations (now being completed within 30-days of month end). Management has prepared an action plan for all findings noted.

FISCAL IMPACT:

None.

Implied in all City Council Goals, Objectives, and Work Programs is the fundamental principle that the City will follow the City Council’s adopted Fiscal Policy and will exercise the utmost financial discipline and accountability. In accordance with, and pursuant to, Section 37208 of the Government Code, the City Manager is responsible for preparing an audited Comprehensive Financial Report each year.

ALTERNATIVES:

Receive and file only.

BUDGETED?:

No

CONTRACT/AGREEMENT:

No

ATTACHMENTS:

1. [City of Banning 2023 Final ACFR.pdf](#)
2. [City of Banning 2023 Final GANN Limit AUP.pdf](#)
3. [City of Banning 2023 Final Governance Letter.pdf](#)
4. [City of Banning 2023 Final Management Letter.pdf](#)
5. [City of Banning 2023 Final Single Audit Report.pdf](#)
6. [Banning Utility Authority 2023 Final Financial Statements.pdf](#)
7. [Banning Utility Authority 2023 Final Governance Letter.pdf](#)