

# INDIAN WELLS CITY COUNCIL

## November 28, 2022



**To:** City Council  
**From:** Finance Department  
**Prepared by:** Kevin McCarthy, Finance Director  
**Subject:** **Annual Financial Report for the Fiscal Year Ending June 30, 2022**

### RECOMMENDED ACTION:

Council **RECEIVES** and **FILES** the City's Annual Financial Report for the fiscal year ending June 30, 2022.

### DISCUSSION:

#### Summary

The Finance Committee met with Davis Farr on November 22, 2022, to review the audit. Davis Farr presented the audit results and responded to Committee questions and comments. As a result, the Finance Committee recommends approval of the financial statements as presented.

Davis Farr issued an unmodified opinion on the City of Indian Wells Annual Financial Report for the fiscal year ending June 30, 2022. The unmodified opinion is the most favorable result any City can receive. In addition, the City's annual audit results provided no instances of material weaknesses in the internal control structure or violations of applicable laws and regulations. In addition, each yearly audit offers the opportunity to improve financial reporting based on changes in State and federal law.

Davis Farr spent approximately 900 hours reviewing the City books and concluded that the City's internal controls and accounting procedures met all compliance requirements and testing procedures. The auditor is responsible for communicating matters related to the audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

In addition to the auditor's communication letters, Davis Farr reports directly to the Finance Committee after every audit. As part of the City's annual audit, reviews determine the adequacy of the internal control structure, and that the City has complied with applicable laws and regulations. This is Davis Farr's first audit of the City of Indian

Wells under their new contract approved on June 2, 2022. As such, they have provided some recommendations to improve reporting of the City and Golf Resort's finances, which the Finance Committee considered and suggested they be implemented in the coming weeks, including a weighted average for the calculation of the Resident Amenity Fee at the Golf Resort, others?

## Audit Improvements

The Finance Committee is committed to improving the City's annual audit. The year, the Finance Committee focused on enhancing the audited review of operating procedures at the Golf Resort and the Housing Authority. New onsite testing procedures were performed, and operational inventories were comprehensively reviewed.

New to the City's testing procedures is an enhanced contract compliance audit with more prominent City vendors. These deeper dive audit(s) focus on reporting operational compliance, quality and quantity validations (did we get what we paid for), and financial performance when appropriate. The first two vendor contract compliance audits are the County of Riverside Sheriff's Department and Vintage Landscape, and are scheduled to begin in early 2023.

## Financial Transparency and Communication

Financial communication with residents and other stakeholders is a fundamental Council Goal. The presentation of the annual financial statements to the residents serves to uphold this Goal. Keeping residents informed is a top priority. In addition to the presentation of the financial statements, Council utilizes the following to keep residents fiscally informed:

1. Council meetings and study secessions to encourage public engagement
2. Finance Committee meetings
3. The Mayor's letter
4. City Newsletters
5. Fiscal update eblasts
6. The Financial Primer
7. The Capital Improvements overview
8. Indian Wells Check Book
9. The Budget at a Glance

To provide greater transparency and understanding of the City's finances, the City of Indian Wells established a new financial portal on the City's website to continually release and update fiscal information. The portal receives regular updates with the latest City financial information.

## Background

Government Code 26909 (a) requires that the City, as a local agency of the County, contract with a certified public accountant to perform an annual audit of the accounts and records of the City and that the audit conforms to generally accepted auditing standards. Further, Government Code 26909 (b) states that an audit report shall be filed with the State Controller and with the County Auditor of the County where the district is located within six months of the end of the fiscal year. Therefore, this report is published to fulfill these requirements for the fiscal year ending June 30, 2022.

The independent auditor's report is in the financial section of the Annual Financial Report. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report of the Annual Financial Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements the transmittal letter and should be read in conjunction with it.

Residents are encouraged to review the City's Annual Financial Report, available on the City's website at: <http://www.cityofindianwells.org>. In addition, staff will submit the Financial Report to the Government Finance Officers Association for consideration for its annual "Certificate of Achievement for Excellence in Financial Reporting" award. The City has earned this award since 1991.

## California Environmental Quality Act (CEQA)

This action has been reviewed per the authority and criteria contained in the California Environmental Quality Act (CEQA), the State and local CEQA Guidelines, and the City's environmental regulations. The City, acting as the Lead Agency, determined that the ordinance is not subject to CEQA pursuant to Sections 15060(c)(2), 15060(c)(3), and 15061(b)(3) of the State CEQA Guidelines, because it will not result in a direct or reasonably foreseeable indirect physical change to the environment as there is no possibility that the action would result in a significant environmental impact, and because it does not constitute a "project" as defined in Section 15378 of the State CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3.