

MEMORANDUM

TO: Mayor and City Council

FROM: Bert Olsen, Finance Director

SUBJECT: AUDIT COMMITTEE MEETING/AUDIT ACCEPTANCE

DATE: May 18, 2016

Background

The City's Audit Committee met on Monday, May 16, 2015. Present were Audit Committee member Gary Williams, Councilor Kenneth Michael Roberts, City Manager Richard Meyers, Finance Director Bert Olsen, and Gary Iskra of Isler CPA.

Mr. Iskra stated that their responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with their oversight are fairly presented, in all material respects, and in conformity with U.S. generally accepted accounting principles.

He noted that during the course of the audit they did not encounter any difficulties in dealing with management in performing and completing their audit.

Professional standards require the auditors to identify all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

The auditors discussed the implementation of GASB 68 for fiscal year 14-15 and the changes that occurred with the statements. The new pronouncement requires recognition in the financial statements of the value of the City's pension asset or liability. Footnote 8 in the financial statement addresses the application of the pronouncement.

Mr. Iskra discussed internal control, defining a material weakness as a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. They considered the timeliness of financial reporting and the general bank account not being reconciled timely deficiencies in internal control.

It was explained that the City experienced untimely staff turnover in the Accounting Tech position creating the delay in performing the statement balancing. The bank account was monitored daily, tracking funds deposited, checks written etc. but in order to maintain separation of duties, and the additional time required to confirm prior transactions had been posted correctly, the actual balancing of the account did not occur as timely as needed.

Staff does not anticipate any delays in preparation of the 15-16 Audit, commencing in September 2016.

Recommendation

It is recommended by the Audit Committee members present that the City's Financial Statements and Supplemental Information for Fiscal Year ended June 30, 2015 with the Independent Auditors' Report be accepted and put on permanent file by the City Council.

Cost

No cost.


Richard Meyers, City Manager


Bert Olsen, Finance Director