



Staff Report

TO: City Council

FROM: Jennifer Ustation, Finance Director
Lisa Leach, Assistant Finance Director

DATE January 18, 2022

SUBJECT: FY2021 Annual Comprehensive Financial Report and Report of Internal Control Over Financial Reporting

Background and Analysis:

On an annual basis the City is required to have an independent audit of its financial statements. The audit for FY2021 has been completed and is included as Attachment A.

The audit provides for an unmodified (“clean”) opinion, which means that the financial statements present fairly in all material respects to the financial condition of the City. The audit process includes an interim period of review of internal controls and testing of transactions and year-end balances. Both processes are completed by the independent auditors.

This is the City’s first Annual Comprehensive Financial Report (ACFR). The ACFR is divided into the following sections:

- **Introductory Section** – includes a letter of transmittal to introduce the ACFR and provide a profile of the government and information that is useful in assessing a government’s economic condition and organizational information,
- **Independent Auditor’s Report on Financial Statements** – provides an opinion on the reasonable assurance about whether the financial statements as a whole are free from material misstatement,
- **Management Discussion and Analysis** – provides management’s discussion of the financial condition of the City and the results of operations for FY2021,

- **Financial Statements** – provides for detailed financial results of both government activities and business type activities along with the change in financial position for the City during FY2021,
- **Notes to the Financial Statements** – provides additional information regarding a summary of significant accounting policies including valuation of assets and liabilities,
- **Supplementary Information** – provides for comparative data with information from prior years, and
- **Statistical Section** – provides financial trends, revenue capacity, debt capacity, demographic, economic and operating information which provides a context for assessing a government's economic condition.

Internal Control Over Financial Reporting

The auditors consider the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing their opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Within this report the auditors will identify any deficiencies they encountered in their testing of internal control over financial reporting.

A deficiency in internal controls exists when the design or operation of control does not allow management or employees to prevent or detect and correct misstatements on a timely basis. There are two types of deficiencies, a material weakness and a significant deficiency. A material weakness is a deficiency that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control that is less severe than a material weakness.

During the audit this year, Rogers, Anderson, Malody and Scott, LLP (RAMS) identified two new significant deficiencies, one was related to segregation of duties and the other was on adherence to the investment policy. There were two carryover deficiencies that addressed one deficiency as having been corrected and the other that had not been corrected since the last audit. In the draft report that is provided it will be noted by management that the two new deficiencies have been addressed and new procedures and reporting have been implemented. The carryover finding has also been addressed and is in the process of correction.

Finance and Audit Committee Review

The Finance and Audit Committee met on December 20, 2021, and January 10, 2022, to review and discuss the drafts of these reports and it was recommended to move forward to the City Council once they were in final form.

Fiscal Impact:

City staff estimates the cost to prepare this report to be \$175.

Recommended Action:

Receive and file the FY2021 Annual Comprehensive Report and associated reports.

Attachments:

- A. FY2021 Annual Comprehensive Financial Report
- B. FY2021 SAS114 Letter
- C. FY2021 Report on Internal Control Over Financial Reporting
- D. Rogers, Anderson, Malody & Scott, LLP Presentation