



Staff Report

TO: Mayor, and City Council Members
FROM: Jeff Mohlenkamp, Finance Director
DATE: March 3, 2020
SUBJECT: **Review of FY 2019 Audited Financial Statements**

Background and Analysis:

On an annual basis the City is required to have an independent audit of its internal controls and financial statements. The audit for FY 2019, is complete and the financial statements are included as Attachment A for City Council review.

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

The single audit for the fiscal year ending June 30, 2019, is in final draft form, it has an unmodified (“clean”) opinion, which means that the federal assistance received was appropriately spent. Included with this audit is the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and the Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance and on Schedule of Expenditures of Federal Awards. Comparison of findings for June 30, 2018 and June 30, 2019, are as follows:

	June 30, 2018	June 30, 2019
Material Weakness	5	0
Significant Deficiencies	1	3
Other Matters	0	0
Compliance	0	0

Material weaknesses represent the most significant internal control issues for a City. All 5 of the material weaknesses identified in the FY 2018 report have been addressed. There are no new material weakness findings in the report for fiscal year ending June 30, 2019. One of the material weaknesses regarding controls over business license revenues has been reclassified as a significant deficiency due to the adequacy of mitigating controls. There is one new significant deficiency regarding controls over how to handle electronic funds transfers. These findings are detailed in Attachment B to this report.

Fiscal Impact:

The estimated cost for audit services is \$86,500. A considerable amount of staff time was spent both preparing the financial statements, responding to audit requests and reviewing the financial statements. These costs cannot be reasonably estimated.

Recommended Action:

It is recommended the City Council receive and file the FY 2019 Audited Financial Statements and the Single Audit Report for FY 2019.

Attachments:

- A. FY 2019 Annual Financial Report and Independent Auditor's Report (Final)
- B. FY 2019 Single Audit and Independent Auditor's Report (Final Draft)