

City Council Work Session Agenda Summary

December 13, 2022

John Karner, Finance Director
Tammy Hitchens, Deputy Finance Director

Title:

Fiscal Year 2021 Financial Audit Update

Background:

Following the conclusion of each fiscal year, the City of Greeley (City) is required to complete an audit of its financial statements (CRS §29-1-601 – submitted to the Department of Local Affairs by July 31 (or Sept 30th if an extension is filed with the State) and a thorough and complete examination and audit of all financial accounts (Greeley Code of Ordinances §2-241 – submitted to the City Council). In 2021, the City secured Plante & Moran through a competitive process to complete the annual audit. In late 2020, the City transitioned all its financial functions to a new Enterprise Resource Planning (ERP) system. Due to several challenges with the original configuration and implementation of that system, the first year of City financials in the new ERP system (2021) have required significant adjustments and corrections. While the Finance Department's accounting team has worked diligently and has made significant progress, the system challenges it faced and the manual work required has resulted in a delayed submission of the City's audit for fiscal year 2021.

The City was unable to submit financials to the external auditor until early December. The City proactively addressed this challenge with key stakeholders (Government Finance Officers Association (GFOA), City's Financial Advisor, and State Auditor), and posted a notice of the late submission on EMMA for the city's bondholders.

The potential impacts of a late submission of its certified audit beyond September 2022 include the following:

- Withholding of State funding until submission of the certified audit;
- Withholding of property taxes by the County;
- Adverse impacts on the City's credit rating;
- Ineligible for GFOA Certificate of Achievement Award.

The staff, through on-going proactive communication with the City's advisors, rating agencies, and state officials, has confirmed that:

- Any State funding withheld will be distributed upon receipt of the certified audit;
- The City's credit rating could be adversely impacted if unaudited financials are not submitted to the rating agencies by December 31, 2022, and audited financials submitted to credit agencies by June 30, 2023;

City staff will provide a verbal update to City Council along with the next steps to complete the 2021 audit and ensure that the audit process moving forward ensures accuracy and timeliness.