

ASSEMBLY FINANCE COMMITTEE MINUTES

June 5, 2024, at 5:30 PM

Assembly Chambers/Zoom Webinar



<https://juneau.zoom.us/j/93917915176> or 1-253-215-8782 Webinar ID: 939 1791 5176

A. CALL TO ORDER

The meeting was called to order at 5:31 pm by Chair Christine Woll.

B. ROLL CALL

Committee Members Present: Chair Christine Woll; Greg Smith; Ella Adkison; Alicia Hughes-Skandijs; Wade Bryson

Committee Members Present Virtually: Paul Kelly

Committee Members Absent: Mayor Beth Weldon; Michelle Hale; Wáahlaal Gíidaak

Staff Members Present: Katie Koester, City Manager; Angie Flick, Finance Director; Adrien Wendel, Budget Manager

Others Present: Karen Tarver, Audit Partner at Elgee Rehfeld

C. APPROVAL OF MINUTES

1. May 22, 2024

The May 22, 2024 minutes were approved as presented.

D. AGENDA TOPICS

2. Reflection on FY25 Assembly Finance Committee Budget Process

Angie Flick, Finance Director, introduced Kevin Allen, the new in-meeting technical support position for the City Clerk's Office. She also introduced Joey Deluca, the new CBJ Controller.

Chair Woll stated that Staff had requested feedback on this year's budget cycle so they could improve the process next year.

Assemblymember Hughes-Skandijs joined the meeting at 5:33 pm.

Ms. Flick stated that this had been her first budget cycle as the new Finance Director and the first for Katie Koester as the new City Manager. She shared that the process had changed this year and included a full day kickoff meeting on Saturday, April 6 which allowed for a consolidation of weekly Wednesday meetings. She stated that some of the documentation and process of presenting information was different than in previous budget cycles.

Ms. Koester shared that she was interested in getting Assembly feedback on Ms. Flick's approach in presenting data based on City services provided.

Chair Woll asked Assemblymembers to provide feedback by sharing what they liked about this year's process and what they would like to see added or changed for next year.

Assemblymember Bryson stated that this budget cycle had been one of the most effective that he had participated in. He noted how the long Saturday meeting had set the precedent for the rest of the budget cycle and allowed for a more efficient process. His only request was to add clear instructions to the top of the community grant request form so applicants would be able to clearly understand the requirements and process.

Assemblymember Hughes-Skandijs also expressed appreciation for the full Saturday and fewer Wednesday night meetings. She stated that she enjoyed the new community grant request process. She wanted to see a future agreement from individual Assemblymembers to not sponsor a specific request unless they were sure to vote for it. She stated that she would have liked to see the City Manager have more time to speak on City services and budgets.

Assemblymember Kelly expressed appreciation for the efficiency of the community grant request process. He shared a potential improvement on the process where applicants would apply without finding an Assemblymember sponsor first and then Assemblymembers could choose the projects they wanted to support from the list of applicants.

Assemblymember Adkison expressed appreciation for the full Saturday meeting, stating that it helped to contextualize everything. She expressed that there were some issues with the community grant request process but she believed that those issues would be ironed out in the future.

Assemblymember Smith stated that he could have better informed the community organizations he had worked with of the community grant request process. He expressed appreciation for the December Assembly Retreat and how it got Assemblymembers thinking ahead to the budget cycle.

Chair Woll stated she agreed with the feedback from other Assemblymembers. She felt that the agreements established at the first meeting of the budget cycle were helpful to the process.

3. FY23 Audit (City & Borough of Juneau, Bartlett Regional Hospital, Juneau School District)

Karen Tarver, Audit Partner at Elgee Rehfeld, introduced the FY23 City & Borough of Juneau (CBJ), Bartlett Regional Hospital (BRH), and Juneau School District (JSD) audit presentation, starting on page 15 of the packet. She gave a quick overview of the audit teams and their members.

Ms. Tarver explained the different sections of the CBJ Annual Comprehensive Financial Report (ACFR). She explained that the ACFR included multiple opinions. She spoke on the different types of audits. She stated that there were delays in issuing audit statements for both CBJ and BRH this year, partially due to new accounting standards that had to be implemented. She expressed that there had been significant turnover and shortage of staff this year across all three entities (CBJ, BRH, JSD).

Ms. Tarver stated that as part of the audits the audit teams met with some members of the Assembly. She continued to explain the audit process and some details on test controls, how the results of testing could be projected out to expenses and revenue to see where those controls were operating effectively. She spoke of statistical sampling which could lead up to a 95% confidence level in terms of projecting those results out to whole populations under the audit. She explained how audits used confirmations from external information, such as from bank statements, insurance records, and visual inspections of inventory.

Ms. Tarver pointed to page 25 of the packet which discussed details of risk assessment. She stated that this process worked to identify material misstatement or material noncompliance. Part of the risk assessment process involved walkthroughs where the audit team worked with Management to go through a division's financial processes from start to end. She pointed out key risk factors that impacted the FY23 audit, one example being the delay in the implementation of the new accounting standards, which could have resulted in rushed work and higher risk.

Ms. Tarver explained how the audit procedures change year to year based on risk factors, management assertions, and materiality. She shared that during the audit process the auditors look at adjustments and try to identify issues with the controls. She pointed to page 38 of the packet which showed the CBJ FY23 audit results, the summary of the auditors' opinions. She explained how the opinion letter was based on the material accuracy of the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). She discussed details of the basic financial statements. She spoke of the Generally Accepted Auditing Standards (GAAS).

Ms. Tarver pointed to page 43 of the packet which showed the FY23 Transmittal Letter. She explained how this letter described Management's responsibilities, the requirements for an audit, and why the City does an audit. She pointed to page 44 of the packet which outlines the auditor's responsibilities. She defined the term "reasonable assurance" as a high-level commitment but shared that it does not guarantee an audit will always detect material misstatement. She shared that there is always an audit risk.

Ms. Tarver explained that there were some specific requirements to communicate the results of the audits to those charged with governance. She stated that the documents included in the presentation, the audited financial statements, the Federal single audit, and the State single audit were created to meet those requirements. She expressed that part of the goal was to work with Management to make sure the information gathered was not materially inconsistent with the financials.

Ms. Tarver concluded the overview of the CBJ audit and presented on the BRH and JSD audits. She explained that these audits followed the same format as the CBJ audit. She stated that for the BRH audit there was an unmodified opinion over the financial statements which was a positive result. She expressed that BRH did have a significant deficiency. She pointed to page 51 of the packet which showed the BRH FY23 audit results. She stated that a new third-party biller was brought in to work with BRH recently. The auditors' recommendation to BRH was to work with the biller to identify additional opportunities to improve collections.

Ms. Tarver shared that the JSD audit also had unmodified opinions on the financial statements. She stated that there were no findings or questioned costs for the compliance programs, which was a positive result. There were no audit adjustments but there were four significant deficiencies identified. She mentioned that after a considerable amount of time working with Management and the JSD Board on the budget presentation, the auditors found that the accounting system budgets had not been entered accurately. Because these budgets become the basis for preparing the financial statements, there was a significant amount of time spent going back and reconciling to the approved budget, to end up with what needed to be in the financial statements as the approved budget.

Ms. Tarver explained that the reports that were being used internally didn't present a true picture of what was happening with JSD. She mentioned that one of the significant deficiencies was related to the State Foundation Program. The auditors had to review student records to make sure that these records were being kept in accordance with the State Student Record Manual. She shared that the auditors found that there was

missing file content. She expressed that after meeting with JSD, it was communicated that they would take action to remedy the issue and it was not expected to be a problem for the FY24 audit.

Ms. Tarver pointed to page 61 of the packet which showed the JSD FY23 audit results. She stated that included in the letter to the JSD Board was a bullet point list of items that had been discussed with Management to give JSD guidance and help track issues. She shared that Elgee Rehfeld would continue to be a resource for JSD if they needed.

Ms. Tarver pointed to page 62 of the packet which showed the Letter to the Assembly and gave an overview of the items in the letter. She expressed that there would be no new accounting standards to implement for FY24. She discussed the significant estimates and stated that the actual results could differ. She explained how this was outlining any corrected misstatements, typically material ones that were found as well as uncorrected. She shared that the adjustments for CBJ were primarily due to the difficulty in working to prepare the ACFR draft while doing the audit work at the same time. She stated that one suggestion from the auditors was for there to be closer coordination between JSD and CBJ in the future.

Ms. Tarver ended her presentation with the fact that there were three unmodified opinions on all three audited entities. She expressed the significance of this, stating that it was something to be proud of and that it was a result of Management fulfilling their financial accounting and reporting responsibilities.

Ms. Tarver answered Committee questions on the FY23 Audit presentation.

E. NEXT MEETING DATE

1. July 10, 2024

F. ADJOURNMENT

The meeting was adjourned at 6:33 pm.