



AGENDA ITEM SUMMARY FORM

PROPOSED MEETING DATE: February 7, 2024
PREPARED BY: Scott Moore, City Manager
DEPARTMENT: Administration

AGENDA ITEM DESCRIPTION:

Consideration, discussion, and possible action on entering into a service agreement with Atchley & Associates for performing an audit and accounting assistance services of the financial statements of the City of Manor.

BACKGROUND/SUMMARY:

The City Council is being requested to authorize the services of Atchley & Associates to audit the city's financial statements for fiscal year October 1, 2022-through September 30, 2023, which comprise governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information. The firm will review the basic financial statements, and the required supplementary information of the statement of revenue, expenditures, and changes in fund balances – budget and actual, related notes, the schedule of changes in the City's net pension asset/liability and related ratios – last ten years (unaudited), and the Texas municipal retirement system, and schedule of funding progress (unaudited).

The objective of an annual audit is to obtain reasonable assurances about whether the city's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the firm's opinion. Reasonable assurances are a high level of assurance but are not absolute assurance and, therefore, are not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America ("GAAS") will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of controls.

The firm will conduct the city's audit in accordance with GAAS. Those standards require that we comply with applicable ethical requirements. As part of an audit in accordance with GAAS, they will exercise professional judgment and maintain professional skepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, based on an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion.
- Consider the city's system of internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the city's

internal control. The firm will communicate to the governing body in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the city's ability to continue as a going concern for a reasonable period of time.

There will be some inherent limitations of the audit and the firm will utilize best auditing practices to help identify the inherent limitations of controls. With the proper review of the city's checks and balance protocols being utilized, the goal is to identify some unavoidable risks, in which some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with GAAS regulations.

Atchley & Associates will also provide accounting services for the city. They will perform the following services:

1. The firm will instruct the accounting staff in the proper maintenance of the city's books and records.
2. The firm will assist the accounting staff at year end to prepare the GASB 34 entries and the related schedules.
3. The firm will assist the accounting staff at year end to prepare the GASB 68 entries and the related schedules.
4. The firm will assist the accounting staff at year end to prepare the GASB 75 entries and the related schedules.
5. The firm will assist the accounting staff at year end to implement GASB 84 entries and the related schedules.
6. The firm will assist the accounting staff at year end to implement GASB 96 entries and the related schedules.

The firm may advise the administration about appropriate accounting principles and their application, but the final responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America remains with you. Also, as part of the firm's engagement, we may propose a standard, adjusting, or correcting journal entries to your financial statements. The Finance Department has the final responsibility for reviewing the proposed entries and understanding the nature and impact of the proposed entries to the financial statements. It will be the administration's responsibility for management decisions and functions. That responsibility includes designating qualified individuals with the necessary expertise to be responsible and accountable for overseeing all the services the firm performs as part of this engagement, as well as evaluating the adequacy and results of the services performed. The administration would be responsible for establishing and maintaining internal controls, including monitoring ongoing activities. This includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements, as well as identifying and ensuring that the city complies with the laws and regulations applicable to its financial activities.

LEGAL REVIEW: Yes, Veronica Rivera, Assistant City Attorney

FISCAL IMPACT: No

PRESENTATION: No

ATTACHMENTS: Yes

- Audit Engagement Letter
- Accounting Assistance Services Letter

STAFF RECOMMENDATION:

The city staff recommends that the City Council approve the service agreement with Atchley & Associates for performing an audit and accounting assistance services of the FY2022-23 financial statements of the City of Manor; and authorize the City Manager to execute the agreements.

PLANNING & ZONING COMMISSION: **Recommend Approval** **Disapproval** **None**
