



## BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6852  
January 20, 2026  
Special Business

### AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 6852: 2024 Financial, Accountability and Federal Audit Exit Conference	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
<b>RECOMMENDED ACTION:</b>	Receive report. No action necessary.	

<b>DEPARTMENT:</b>	Finance
<b>STAFF:</b>	Matt Mornick, Finance Director LaJuan Tuttle, Deputy Finance Director
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	1. 2024 Financial & Accountability Audit Engagement Letter 2. 2024 Federal Attestation Engagement Letter
<b>CITY COUNCIL PRIORITY:</b>	n/a

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

### EXECUTIVE SUMMARY

Representatives of the Washington State Auditor's Office (SAO) will lead an Exit Conference to report on the results of the Financial, Accountability, and Federal Audits for the fiscal year ending December 31, 2024 (see Exhibits 1 and 2).

- The purpose of the Exit Conference is for the audit team to report audit results to management prior to publication of the audited financial statements.
- After the Exit Conference, the SAO will publish the audit reports, audited financial statements, notes to the financial statement, and required supplementary information on the SAO website.

### BACKGROUND

The City of Mercer Island is audited on an annual basis. The SAO regularly performs two types of audits each year: a Financial Audit and an Accountability Audit, resulting in an audit report for each one. Additional information regarding the scope and limitations of each audit type can be found in the audit engagement letter included as Exhibit 1.

A financial audit provides an independent opinion on a local government's financial statements and the results of its operations and cash flows. In other words, a financial audit determines whether the financial statements present a reliable, accurate picture of a government's finances.

An accountability audit evaluates whether a local government has adhered to applicable state laws, regulations, and its own policies and procedures. Auditors review records to ensure public funds are accounted for and controls are in place to protect public resources from misappropriation and misuse.

A federal attestation examination is a review of compliance over federally funded programs. Federal guidelines require a Federal Single Audit when expenditures for federal programs exceed \$750,000 in a fiscal year.

With the American Rescue Plan Act (ARPA) of 2021/Coronavirus State and Local Fiscal Recovery Funds (CSLRF) programs, a new option called an "Alternative Compliance Engagement" is permitted if the recipient was both a non-entitlement unit of local government (less than 50,000 residents) and only exceeded the \$750,000 threshold because of ARPA/CSLRF dollars.

The City qualified for the alternative engagement for 2024 federal expenditures, which allowed for a more streamlined and cost-effective federal program audit. Additional information regarding the scope and limitations of the federal review are in the federal attestation engagement letter included as Exhibit 2.

## **RECOMMENDED ACTION**

Receive and review the 2024 Audit Exit Conference report from the Washington State Auditor's Office.