



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6567
December 3, 2024
Special Business**

AGENDA BILL INFORMATION

TITLE:	AB 6567: 2023 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
RECOMMENDED ACTION:	Receive report. No action necessary.	

DEPARTMENT:	Finance
STAFF:	Matt Mornick, Finance Director LaJuan Tuttle, Deputy Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. 2023 Financial & Accountability Audit Engagement Letter 2. 2023 Federal Attestation Engagement Letter 3. 2023 Audit Exit Conference Report
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ 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, 2023 (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 (see Exhibit 3).
- 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 federal funding programs. Federal guidelines require a Federal Single Audit when expenditures for federal programs exceed \$750,000 in a fiscal year. New with American Rescue Plan Act (ARPA) of 2021/ Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program dollars is the option for an Alternative Compliance Engagement if the recipient was both a non-entitlement unit of local government (less than 50,000 residents) and only exceeded the \$750K threshold because of ARPA/CSLFRF dollars.

The City qualified for the alternative engagement for 2023 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 2023 Audit Exit Conference report from the Washington State Auditor's Office.