

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Action: Adoption of Resolution 5099 Acknowledging Receipt of City of Eugene, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013

Meeting Date: January 13, 2014
Department: Central Services
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Agenda Item Number: 3D
Staff Contact: Fionan Cronin
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ISSUE STATEMENT

This is a resolution acknowledging receipt of the City of Eugene, Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This resolution demonstrates compliance with ORS 297.465(2), which requires that a copy of the City's CAFR, containing a signed expression of opinion, be furnished to each member of the governing body. The resolution is included as Attachment A.

BACKGROUND

Under Oregon Municipal Audit Law, the City is required each fiscal year to contract with an authorized accounting firm for the audit of its accounts and fiscal affairs (ORS 297.425). The firm of Isler CPA (auditors) has completed the audit of the City of Eugene's financial statements for the fiscal year ended June 30, 2013, and issued an unqualified opinion on the basic financial statements. The CAFR is included as Attachment B.

The key pages of the CAFR are pages 13-15 and pages 153-154, where two of the auditors' reports are found. In the first report, the auditors have issued an unqualified opinion (also known as a "clean opinion") on the City's basic financial statements, indicating that the City has prepared these statements in conformity with generally accepted accounting principles (GAAP). GAAP for state and local governments is promulgated by the Governmental Accounting Standards Board to ensure consistency in accounting and comparability in financial reporting among state and local governments. A clean opinion is a fundamental financial goal for every government, as it represents the highest level of opinion a government can receive from its independent auditors. A clean opinion is an important indicator of sound financial management and creditworthiness to the citizens, other governmental jurisdictions (state and federal), credit rating agencies, investment bankers, bond holders, and other private sector entities. For policy makers, a clean opinion means that the information in the CAFR is accurate and reliable.

In the second report, the auditors address the City's compliance with applicable provisions of Oregon Revised Statutes including requirements related to debt, deposit of public funds, preparation and adoption of the budget, accounting records and related internal control structure,

etc. In addition, the auditors also report if the City had any significant internal control weaknesses. The auditors noted that the City complied with all laws with one exception - the City exceeded its legal budget (page 51) in the Risk and Benefits Fund. The fund overspent its departmental appropriation by \$673,025, or 2.2 percent. The over-expenditure was driven by some unusually large individual medical claims in the current year. The fund held sufficient resources to cover this increase above the appropriated amount. ORS require that all over-expenditures be brought to the attention of the governing body. Because there is no dollar threshold, it is common for local governments to have occasional over-expenditures.

The auditors conduct the audit of the City's basic financial statements in accordance with generally accepted auditing standards and the Minimum Standards for Audits of Oregon Municipal Corporations. In addition, as a recipient of federal grants, the City is subject to the Federal Single Audit Act of 1984, which requires that the audit be conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. These standards and OMB Circular A-133 require that the auditors plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement and whether the City complied with the laws and regulations pertaining to federally-funded programs. In addition to state and federal requirements, the City has a contractual obligation in connection with its debt issuances which requires that the City issue annual audited financial statements.

Management is responsible for the information contained in, and the preparation of, the City's financial statements. To effectively fulfill this responsibility and to contain the cost of auditor services, City staff devotes significant effort to the closing of accounting records, the preparation of schedules and audit workpapers, and the production of the CAFR. This also results in staff expertise being developed on specific financial and service issues that can then be used to assist departments and other pertinent parties.

Two additional reports, beginning on page 157, specifically address compliance with Federal laws, regulations, contracts and grants, and indicate that the auditors found no material instances of the City's noncompliance with these requirements, nor were there any findings or questioned costs noted in relation to Federal awards made to the City.

Professional requirements mandate auditors provide a report to the governing body that addresses any concerns or findings they encountered in such audit-related issues as significant audit findings, accounting estimates and disagreements with management. Isler CPA's memo addressing these issues for fiscal year 2013 is included as Attachment C and it states that there were no concerns that required communication to the City Council.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Eugene for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the 37th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, which satisfies both generally accepted accounting principles and

applicable legal requirements. In addition, the requirements for the certificate provide much of the information needed for the City's credit assessments.

One piece of information of particular interest to the council may be the most recent accounting of the General Fund fund balance. Attachment D includes updated fund balance statistics for FY13 along with changes from the prior year statistics.

RELATED CITY POLICIES

Policy B.1 of the City's Financial Management Goals and Policies states that "The City will maintain an accounting and financial reporting system that allows reporting in conformance with Generally Accepted Accounting Principles and Oregon Local Budget Law and will issue a Comprehensive Annual Financial Report each fiscal year." This action signifies formal completion of this process for the fiscal year ended June 30, 2013, and demonstrates the council's compliance with the policy.

COUNCIL OPTIONS

None.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends adoption of the resolution.

SUGGESTED MOTION

Move to adopt Resolution 5099 acknowledging receipt of the Comprehensive Annual Financial Report (CAFR) for the City of Eugene, for the fiscal year ended June 30, 2013.

ATTACHMENTS

- A. Resolution
- B. City of Eugene, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013
- C. Copy of the Isler CPA memo
- D. Information on General Fund, Fund Balance Trends

FOR MORE INFORMATION

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