



Legislation Details (With Text)

File #:	20-366	Version:	2	Name:	
Type:	General Business	Status:		Agenda Ready	
File created:	6/22/2020	In control:		Town Council	
On agenda:	7/14/2020	Final action:			
Title:	Presentation of the 2019 Audit Report and Comprehensive Annual Financial Report.				
Sponsors:					
Indexes:					
Code sections:					
Attachments:	1. Town of Erie CAFR - 2019, 2. Government Required Communication Conclusion - Final & Management's Representation Letter - 2019, 3. Report on Internal Control & Compliance - 2019, 4. Schedule of Findings and Questioned Costs Final - 2019				

Date	Ver.	Action By	Action	Result
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SUBJECT: GENERAL BUSINESS

Presentation of the 2019 Audit Report and Comprehensive Annual Financial Report.

DEPARTMENT: Finance

PRESENTER: Steve Felten, Finance Director
Allison Slife, Partner, CliftonLarsonAllen LLP

TIME ESTIMATE: 20 minutes

STAFF RECOMMENDATION:
No action required - information purposes only.

SUMMARY AND BACKGROUND OF SUBJECT MATTER:

The Comprehensive Annual Financial Report (CAFR) is the Town's official annual financial report. The audit of the financial statements for the year ended December 31, 2019, was performed by CliftonLarsonAllen LLP (CLA). The Town received a favorable report (i.e., an unmodified opinion). A copy of the Town's CAFR is attached.

Following is a brief commentary on the annual audit report. Representatives from CLA will also provide comments on the audit and internal control findings at the Board meeting and will be available for questions.

Comprehensive Annual Financial Report Summary:

The CAFR consists of four sections, as follows:

- The introductory section includes a table of contents, a letter of transmittal, and a list of Town officials.
- The financial section includes the auditors' opinion, management's discussion and analysis (MD&A), financial statements, and notes to the financial statements. Also included in this section are schedules for those funds considered nonmajor (as defined by accounting standards), combining schedules, and budget variance schedules for the various funds.
- The statistical section includes required and optional statistical tables containing various types of information related to the Town's financial trends, revenue and debt capacity, demographic and economic data, and operating information.
- The compliance section consists of required disclosures related to certain outstanding bonds and the Local Highway Finance Report.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) as issued by the Governmental Accounting Standards Board (GASB). The objective of the audit performed by CLA was to provide assurance that the CAFR is in conformity with those standards in all material respects. CLA issued an unmodified opinion on the Town's financials for 2019, a so-called "clean" opinion.

The Town also strives to prepare the CAFR to meet the standards of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting award program. This program encourages preparers of CAFR's to go beyond the minimum requirements of GAAP and strive for transparency and full disclosure in their CAFR. The Town has received this award for the years 2004-2018 and will submit the 2019 CAFR to GFOA for consideration for the award.

For readers new to CAFR's, reading MD&A (pages 17-31) provides a good starting point. MD&A provides an analysis and overview of the financial statements and results of operations. It also provides explanations of the various sections of the CAFR. In addition to the financial statements themselves, the footnotes are also a critical part of the CAFR. The footnotes (pages 49-79) provide information on accounting policies followed by the Town in preparation of the CAFR, details on specific financial statement items (e.g., deposits and investments), along with other important disclosures.

Internal Control Comments:

As part of the audit of the financial statements, CLA reviewed the Town's internal controls. CLA has provided a draft of their findings and recommendations, a copy of which is attached to this report. There was one finding, relating to a lack of segregation of duties in the payroll area in light of the fact that the deputy finance director has the ability to record payroll transactions as well as reconcile payroll records. This is a repeat finding from the prior year.

Management concurs with this finding. Inadequate staffing in the past has made establishing adequate segregation of duties a challenge. A reorganization approved by the Board last October, which resulted in 2 additional staff and realignment of responsibilities, will allow for significant improvements in controls. The two new positions were filled in April and May of 2020. These staff

additions will also facilitate expanded use of the control and reporting features in the Paycom HR/Payroll system which was implemented in late 2018. These changes should significantly reduce the risks related to the lack of segregation of duties.

Audit Adjustments:

There were no audit adjustments.

Action Required:

Presentation of the CAFR to the Board, which also serves as the Town's Audit Committee, is strictly for information purposes. No formal action or acceptance is required.

ATTACHMENTS:

1. Comprehensive Annual Financial Report for the year ended December 31, 2019
2. Auditor Communications (3)