City of Culver City, California

Agenda Item Report

Meeting Date: 01/10/2011	Item Number: C-5
CITY COUNCIL AGENDA ITEM: Receive and File Audited Financial Statements for Fiscal Year Ending June 30, 2010.	
Contact Person/Dept.: Jeff S. Muir/Finance	Phone Number: 310/253-5865
Fiscal Impact: Yes [] No [X]	General Fund: Yes [] No []
Public Hearing: [] Action Item: []	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: _______________
Public Notification: (E-Mail) Meetings and Agendas – City Council (01/05/11); (E-Mail) Ongoing Topic – Fiscal and Budget Issues (01/05/11)	
Department Approval: Jeff Muir (01/04/11)	City Attorney Approval: Carol Schwab (by H. Baker) (01/04/11)
Chief Financial Officer Approval: Jeff Muir (01/04/11)	City Manager Approval: John M. Nachbar (01/05/11)

RECOMMENDATION:

Staff recommends that the City Council receive and file the audited financial statements for the Fiscal Year ending June 30, 2010.

BACKGROUND:

The City Charter requires an annual audit of the financial statements of the City by an independent certified public accountant. The accounting firm of Mayer Hoffman McCann, P.C. (MHM), performed this audit. This was the final year of a three year agreement with MHM. In addition to meeting the requirements set forth in the City Charter, the audit was also designed to meet the requirements set forth in state statutes and the Federal Single Audit Act Amendment of 1996 and U.S. Office of Management and Budget Circular A-133. The auditor's reports related specifically to the single audit, including the schedule of expenditures of federal awards, auditor's report on the internal control structure, and compliance with applicable laws and regulations, are also included as an attachment.

DISCUSSION:

The Comprehensive Annual Financial Report (CAFR) of the City of Culver City for the Fiscal Year ended June 30, 2010, is attached. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City and in particular with the Finance Department. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the various City funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The auditors have rendered an unqualified opinion (clean opinion) on the financial statements. This can be viewed on the attached Independent Auditor's Report.

Additionally, the auditors issued a letter with regards to internal control over financial reporting. The auditors did not identify any deficiencies in the City's internal control to be material weaknesses, according to the definitions provided in their letter. There was one recommendation for improvement to current internal controls related to receivables in the General Fund. Staff provided a written response to this recommendation, which is attached, that provides some context as well as a commitment to address the recommendation in the current fiscal year.

Pursuant to Statement on Auditing Standards No. 114, The Auditor's Communication With Those Charged With Governance, the auditors have also provided a letter communicating certain other information related to the audit process. This letter indicates the auditors encountered no significant difficulties in performing and completing the audit, that there were no material misstatements detected as a result of the audit process, and that there were no disagreements with management that could be significant to the financial statements or the auditor's report.

The Single Audit contained one finding relative to a waiver of formal bidding procedures that was applied to the contract to complete the construction of the Police Department Firing Range. This can be viewed on Page 9 of the Single Audit document. Also available is the response from management provided to the auditors.

Finally, the auditor's provided a letter related to the Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Worksheets. As part of the annual budget process, pursuant to Article XIIIB of the California Constitution, the City is responsible for calculating an annual appropriations limit. The auditors reviewed these worksheets and found no exceptions.

The City was awarded the Certificate of Achievement for Excellence in Financial Reporting for the year ending June 30, 2009 by the Government Finance Officers Association of United States and Canada.

The Comprehensive Annual Financial report for the City of Culver City for the fiscal year ended June 30, 2010 has been submitted to the Government Finance Officers Association (GFOA) of United States & Canada for its review and eligibility for a Certificate of Achievement for Excellence in Financial Reporting for this year. If chosen, this will be the twenty sixth (26^{th}) consecutive year for our CAFR and the City to receive this award.

The reports and associated attachments are as follows:

- Comprehensive Annual Financial Report
- Municipal Bus Lines Report
- Single Audit Report on Federal Awards
- Independent Auditor's Report
- Letter from Auditor's on Internal Control over Financial Reporting
- Culver City Management Response to Internal Control Recommendation
- The Auditor's Communication With Those Charged With Governance
- Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Worksheets

The City has routinely posted financial information on the City's website (www.culvercity.org – click on Government – then Finance – then Financial Reports). This includes 10 years of Comprehensive Annual Financial Reports. Should the City Council. Upon receipt and filing of this report by the City Council, staff will add this information to the historical data already available online.

FISCAL ANALYSIS:

There is no fiscal impact from receiving and filing these reports. The financial results of the Fiscal Year ended June 30, 2010 were discussed in detail at the City Council meeting of November 8, 2010.

ATTACHMENTS:

1. Comprehensive Annual Financial Report
2. Municipal Bus Lines Report
3. Single Audit Report on Federal Awards
4. Independent Auditor's Report
5. Letter from Auditor's on Internal Control over Financial Reporting
6. Culver City Management Response to Internal Control Recommendation
7. The Auditor's Communication With Those Charged With Governance
8. Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Worksheets

MOTION:

That the City Council:

Receive and file the audited financial statements for the Fiscal Year ending June 30, 2010.