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Audit and Finance Committee	4

Meeting Date: February 7, 2011

TOWN OF MORAGA STAFF REPORT

To: **Audit and Finance Committee**

From: **Emily A. Boyd, Interim Administrative Services Director**

Subject: **FY2009-10 Audited Financial Statements**

Request

Review and discuss the FY2009-10 Audited Financial Statements and provide recommendation to Town Council.

Background

As required by government code, each year the Town of Moraga undergoes an annual audit to ensure that the accounting practices are in compliance with Generally Accepted Accounting Principles (GAAP) and the Government Accounting Standards Board (GASB). For the FY2009-10, external auditors Mann, Urrutia, and Nelson performed an audit of the Town's financial records. The audit began with a preliminary review of cash receipts and accounts payable in early July. The fieldwork was completed in October 2010. The annual audit was a "clean" audit, meaning that there were no material weaknesses in the accounting procedures exhibited in the finance department.

Discussion

The Financial Statements (Attachment A) contain four sections – Management's Discussion and Analysis (MD&A), Financial Statements, Notes to the Financial Statements, and the Report on Compliance with Circular A-133.

The MD&A outlines the fiscal condition of the Town and provides an analysis of the Town's financial results for FY2009-10 as compared to the prior fiscal year, as well as management's discussion of pertinent financial information. The MD&A includes extensive explanations and this report does not duplicate that information (see pages iii – xiv of the financial statements).

The financial statements begin with the Statement of Net Assets and the Statement of Activities. These statements provide financial information about the Town as a whole, i.e. they include information on the aggregate of the Town's assets and liabilities as of June 30, 2010, as well as the aggregate of all Town revenues and expenditures for the fiscal year. These statements are prepared on

a full accrual basis, the same methodology used by business, and provide a comprehensive picture of the Town's financial condition. Fund statements, which follow the town-wide statements, are prepared on a modified accrual basis in accordance with generally accepted government accounting principles.

The Notes to the Financial Statements begin on page 13 and provide details regarding information found in the financial statements.

The Report on Compliance with Circular A-133 (commonly referred to as the Single Audit) is on the final three pages of the financial statements. This report is required by agencies receiving federal grants. The Report indicates that Moraga complied with the requirements of the federal awarding agencies.

Mann, Urrutia, and Nelson issue a Management Report (Attachment B) which contains recommendations for improving the Town's internal controls and operating efficiency. The report contains one current year recommendation and three prior year recommendations. Staff has already implemented, or is in the process of implementing, the recommendations from the prior year. Staff will implement the recommendation for the current year before June 30, 2011.

Attachment C contains the Statement on Auditing Standards No. 114 (SAS110) letter, which is the independent auditor's report regarding significant audit findings. The auditor reports that all significant transactions have been recognized in the financial statements, they had no significant difficulties in dealing with management, and no disagreements over accounting, reporting, or auditing matters.

Fiscal Impact

Reviewing and discussing the audited financial statements has no direct fiscal impact.

Alternatives

1) Recommend the Town Council accept the FY2009-10 Audited Financial Statements.
2) Do not recommend acceptance of the FY2009-10 Audited Financial Statements and provide direction to staff.

Recommendation

Recommend the Town Council accept the FY2009-10 Audited Financial Statements.

Report reviewed by: **Jill Keimach, Town Manager**

Attachments:

- **A.** FY2009-10 Audited Financial Statements
- **B.** Management Letter
- **C.** SAS 114 Letter