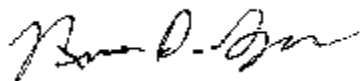


City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Gloria Leon, Administrative Services Director
DATE: June 5, 2012
SUBJECT: Audit Services for June 30, 2012 Comprehensive Annual Financial Report (CAFR)

APPROVAL FOR FORWARDING:



Richard Spitler, City Manager

1 **ISSUE:** To consider a Resolution to appoint Terry Krieg, CPA, to audit the
2 City financial statements for the year end June 30, 2012.

3
4 **RECOMMENDATION:** To adopt the Resolution authorizing the City Manager
5 to accept the auditing and reporting services proposal from Terry Krieg, CPA for
6 the June 30, 2012 financial statements for an amount not to exceed \$21,000.

7
8 **BACKGROUND/DISCUSSION:** The City operates the budget and accounting
9 system on a fiscal year from July 1st to June 30th. The twelve months of financial
10 transactions are then reported, in summary form, in a Comprehensive Annual
11 Financial Report (CAFR). The report is required to comply with the generally
12 accepted accounting principles (GAAP) and the reporting requirements of the
13 Governmental Accounting Standards Board (GASB). In addition, if the City has
14 received certain Federal funds greater than \$500,000, then additional auditing
15 procedures are required under the Federal Single Audit rules.

16
17 Terry Krieg, CPA has provided accounting services and audited the financial
18 statements since 1990. He is well experienced with the City's accounting
19 system and has been asked to continue to provide these services to the City.
20 Attached is an engagement letter from Mr. Krieg for accounting, reporting and
21 auditing services relating to the June 30, 2012 CAFR. Included in these services
22 is preparation of the CAFR to continue to comply with new GASB accounting and

23 reporting standards. In addition, it is anticipated that the City will be subject to
24 the Federal Single Audit rules and require additional auditing and reporting.

25
26 The City will need to comply with Governmental Accounting Standards Board
27 Statement No. 54, Fund Balance Reporting and Governmental Fund Type
28 Definitions, to address issues related to how fund balance should be reported.
29 This statement will depict the relative strength of the spending constraints placed
30 on the purposes for which resources can be sued.

31
32 This will be the ninth year of the new CAFR format and the June 30, 2012 CAFR
33 will be completed and presented to the City Council by no later than January,
34 2013.

35 36 **The Audit of the Financial Statements**

37
38 The CAFR and all of the backup detail are then required to be audited by a
39 qualified independent auditor according to generally accepted auditing standards
40 issued by GASB. The auditor's report also includes comments on compliance
41 with internal accounting controls, separate reports for transit funding and grants
42 and reviews of other special financial reports. The City is also required under
43 several State laws; many Federal and State grant programs, various bond
44 requirements and best financial management practices to have an independent
45 auditor review the financial transactions of the City.

46
47 The fee for the June 30, 2012 CAFR is \$17,000 for the financial statement audit
48 services, which is the same amount as the previous year, in spite of the
49 additional requirements for audit reviews and increased complexity of financial
50 activity of the City. In addition, the City is subject to the Federal Single Audit
51 requirements so there will be an additional fee of \$3,000 for the separate report.
52 Mr. Krieg will also be providing the MTC fund compliance audit and the agreed-
53 upon procedures Gann limit audit for an additional \$1,000. This brings the total
54 audit fee to \$21,000. Mr. Krieg will also be available to provide consultation on
55 additional audit related matters as deemed necessary by the Administrative
56 Services Director at an hourly rate of \$160.00 and approved by the City
57 Manager. The Director's verbal approval for such additional services shall be
58 sufficient authorization to perform the work; but in all such cases the Director
59 shall approve the work in advance and shall as a minimum confirm the approval
60 with an electronic email message.

61
62 It is recommended to appoint Mr. Krieg for the June 30, 2012 accounting,
63 reporting and audit services for an amount not to exceed \$21,000. Attached is
64 Mr. Krieg's proposal letter, which outlines the services and fees. In addition,
65 there is a schedule to produce the June 30, 2012 audited Comprehensive Annual
66 Financial Report by no later than January 31, 2012.

67
68 It is common practice to change auditing firms every three to five years. Since
69 Mr. Krieg has been auditing the City for over 22 years staff will be recommending

70 to the City Council that a Request for Proposal be submitted to various auditing
71 firms for the Fiscal Year 2013-14. Mr. Krieg will also be invited to submit a
72 Request for Proposal. Details on the process will come at a later council meeting.

73

74 **FISCAL IMPACT:** Funds for the audit services are included in the proposed
75 budget for FY 12-13.

76

77 **ATTACHMENTS:**

78

79 1. Resolution appointing Terry Krieg, CPA for auditing services in
80 connection with the June 30, 2012 Comprehensive Annual Financial
81 Report (CAFR)

82 2. Engagement Letter from Mr. Krieg

RESOLUTION NO. 2012-

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA,
COUNTY OF NAPA, STATE OF CALIFORNIA, AUTHORIZING THE CITY
MANAGER TO EXECUTE THE LETTER OF ENGAGEMENT WITH TERRY E.
KRIEG, CPA FOR AUDIT SERVICES IN CONNECTION WITH THE
JUNE 30, 2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Authorizing Agreement No.

WHEREAS, the City operates a finance system according to generally accepted accounting principles that are codified by the National Governmental Accounting Standards Board (GASB); and

WHEREAS, the City reconciles and closes the financial transactions as of June 30th of each year for the preceding twelve months; and

WHEREAS, the City has the year end Comprehensive Annual Financial Report audited by a qualified independent audit firm; and

WHEREAS, GASB has implemented new accounting and reporting standards which require significant changes to the accounting and reporting structures; and

WHEREAS, Terry E. Krieg, CPA, has been performing the audit services for a number of years and is qualified to perform the audit, reporting and accounting services needed to conform to various GASB statements.

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Calistoga authorizes the City Manager to execute the letter of engagement for reporting and accounting services and audit of June 30, 2012 Comprehensive Annual Financial Report with Terry E. Krieg, CPA, for an amount not to exceed \$21,000. Mr. Krieg will also provide consultation on additional audit related matters as deemed necessary by the Director of Administrative Services at the rate of \$160 per hour.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Calistoga at a regular meeting held this **5th day June 2012** following vote:

AYES:

NOES:

ABSENT:

ABSTAIN/ABSENT:

JACK GINGLES, Mayor

ATTEST:

AMANDA DAVIS, Deputy City Clerk