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# City of Grand Forks

## Staff Report

### Audit Committee July 11, 2016

### City Council July 18, 2016

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**Agenda Item:** Agenda Item: The Comprehensive Annual Financial Report of the City of Grand Forks for the year ended December 31, 2015, and the Independent Auditor's Report.

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**Submitted by:** Candice Stjern, Assistant Finance Director

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**Staff Recommended Action:** Review with Auditors:

1. CAFR of City of GF for year ended December 31, 2015;
  2. Auditors' Opinion on Financial Statement;
- And forward the report to City Council for approval and acceptance.
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**Committee Recommended Action:**

Refer to City Council with recommendation to receive and file. Moved by Weber, seconded by Vein.

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**Council Action:**

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**BACKGROUND:** The City charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by an Independent Certified Public Accounting Firm. The accounting firm of Brady, Martz and Associates, P.C., was selected to perform this audit. 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 relating 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 regulation, are included in a separate cover.

**ANALYSIS AND FINDINGS OF FACT:** The Comprehensive Annual Financial Report of the City of Grand Forks for the fiscal year ended December 31, 2015, 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 City Finance and Administrative Services Office. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation of the various funds of the city. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The firm of Brady, Martz and Associates, P.C., the auditors, have rendered an unmodified opinion (clean opinion) on the financial statements.

The City was awarded the Certificate of Achievement for Excellence in Financial Reporting for the year ending December 31, 2014 by the Government Finance Officers Association of United States and Canada. This is the twenty eighth (29<sup>th</sup>) consecutive year the City has received this distinction.

The Comprehensive Annual Financial report for the City of Grand Forks for the fiscal year ended December 31, 2015 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 to the City of Grand Forks for this year. The independent auditor's report is attached.

### **SUPPORT MATERIALS:**

1. Comprehensive Annual Financial Report for the Year Ended December 31, 2015  
<http://www.grandforksgov.com/government/finance-and-administrative-services/reports-and-publications>
2. Independent Auditor's Report

Distributed separately to City Council Members.



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

June 8, 2016

To the Honorable Mayor  
and Members of the City Council  
City of Grand Forks, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grand Forks for the year ended December 31, 2015 and have issued our report thereon dated June 8, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 25, 2016. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Grand Forks are described in Note 1 to the financial statements. The City adopted accounting policies related to pension plans by adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in 2015. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the allowance for depreciation is based on historical useful lives of capital assets. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on historical write-offs of bad debts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of landfill post closure costs is based on estimated closure area, capacity in cubic yards, future costs and post-closure care costs. We evaluated the key factors and assumptions used to develop the landfill post closure costs in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of its actuarially calculated pension liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form of annuity payment upon retirement.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was management's estimate of pension liabilities, which is based on actuarial valuation certifications completed by an independent third party. The valuation is based on information regarding plan provisions and plan participants. We relied on the actuarial valuation certifications used to develop the pension liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We noted no misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 8, 2016.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check

with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to management's discussion and analysis and schedule of the City's contributions to NDPERS and its single employer plan, schedule of changes in the City's net pension liabilities and related ratios, and schedule of employer's share of net pension liability which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining and individual fund statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

#### Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Grand Forks and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**