

**Minutes of the Grand Forks City Council/Finance Development
serving as Audit Committee – Monday, July 14, 2014 – 4:30 p.m.**

The Finance/Development Committee serving as the Audit Committee met on Monday, July 14, 2014 at 4:30 p.m. in Room A102 in City Hall with Chairman Weber presiding. Present at roll call: Mock. Absent: Christensen and Sande.

**1. Comprehensive Annual Financial Report of the City of Grand Forks for the Year Ended
December 31, 2013.**

Joe Martin, Brady Martz, stated that they have completed the annual audit of the financial statements of the City and have issued an unmodified (clean) opinion on the statements.

Martin reviewed the contents of the Comprehensive Annual Financial Report which includes basic information on the City, the audit opinion, a management discussion section which includes highlights of events that have occurred in the year, the financial statements including narrative notes which further explain the information contained in the financial statements, individual fund statements, and statistical information.

(Christensen joined the meeting in progress.)

Martin explained that receiving an unmodified (clean) opinion means that in the opinion of the auditors the financial statements comply with Government Accounting Standards and fairly and accurately represent the financial position of the City of Grand Forks.

Martin reviewed various areas of the report with the committee.

Martin explained that the Committee is also receiving a copy of the Schedule of Expenditures of Federal Awards (SEFA), which includes a listing of all federal funds disbursed to the City in 2013. As part of the audit process, Brady Martz conducts testing of the expenditures to ensure that they are all done in compliance with federal regulations. The results of the testing is a clean opinion with no instances of noncompliance.

Martin stated that the third document distributed today is the Management Report. This contains the audit opinion and also includes items that management should be aware of that will affect the City in future years. There were two comments this year, both a result of changes in federal guidelines. The first relates to grant administration. The new requirements will increase the amount of time and work involved with federal grants and the City will want to be aware of these increased responsibilities to insure that they have appropriate levels of staff and oversight available to complete the work.

The second change relates to upcoming pension reporting changes. The City will now be required to report pension information differently than we have in the past, which will impact the amount of liability that shows up annually in the financial statements. The plan itself will not have changed, just the way it is reported. Martin noted that both of these changes will require more work for staff to implement, without any funding from the federal government to support the required increased work.

Martin pointed out that this year's statements do include a prior period adjustment due to a change from GASB 65 which pertains to bond issue costs. The change affects the Alerus Center bond issue. At the time it was issued accounting rules allowed for amortization of bond issue costs over the life of the bond. New regulations now require that bond issue costs be expensed when the bond is issued. The City has made the change this year resulting in the entry shown in the financial statements.

Motion by Christensen, Second by Mock to receive the report and move to City Council. Meeting adjourned at 5:15 p.m.

Respectfully submitted,
Sherie Lundmark, Admin Specialist Sr.