

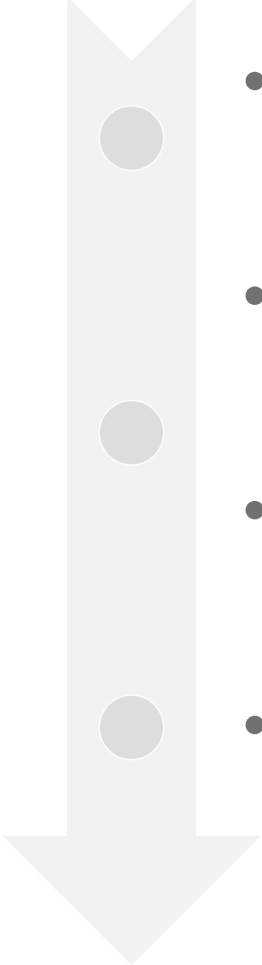


Audit Communication to Governance

Year Ended June 30, 2023

Presented by Jill A. Shaw, CPA
December 11, 2023

Audit Timeline

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- June 2023 – Engagement Letter Issued
 - September 2023 – Preliminary Fieldwork
 - October 2023 – Final Fieldwork
 - November 28, 2023 – Audit Reports Issued
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Council Acceptance of the Audit Reports

Arizona Revised Statutes 9-481(H): Within ninety days after completing an audit pursuant to this section, the governing body of the city or town shall require the certified public accountant who performed the audit to present the audit results and any findings to the governing body in a regular meeting without the use of a consent agenda, and the governing body shall demonstrate compliance with section 41-1494.

- Statute above is applicable beginning with FY21 audits.
- City management has already accepted responsibility for the financial statements and maintenance of internal controls.

Scope of Audit Services

- Perform an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance (Single Audit)
- Perform an audit of nine Community Facility Districts
- Issue an accountant's report based on an examination of the Annual Expenditure Limitation Report
- Issue an accountant's report on Highway User Revenue Fund (HURF) expenditures in accordance with ARS §9-481(B)(2)

Responsibilities of Auditor and Management

- **Fraud Communications**

- Inquiries regarding fraud and noncompliance were conducted with members of management and other employees
- Responsibility for fraud ultimately rests with management and the Council

- **Auditor's Responsibilities**

- Audit designed to provide reasonable, not absolute assurance
- Management is ultimately responsible for the financial statements

New Accounting Policies or Standards Implemented

- Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Agreements (SBITAs)*, was implemented during the year.

This new standard (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right to use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of GASB No 96 did not impact the City's financial statements.

New Accounting Policies or Standards Implemented

- Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was implemented during the year.

This new standard enhances reporting for arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Implementation of GASB Statement No 94 did not impact the City's financial statements.

Significant Estimates in the Financial Statements

- Useful lives of depreciable assets
- Allowance for uncollectible receivable balances
- Assumptions used in the actuarial valuations of the pension plans
- Insurance claims incurred but not reported

Summary of Audit Adjustments

Audit adjustments are necessary for known or likely misstatements identified in the financial statements during the audit that are not trivial in nature.

We are pleased to report that during the course of the audit, we did not recommend any audit adjustments that meet this criteria.

Other Required Communications

- There were no disagreements with management over financial accounting, reporting or audit matters.
- Management provided the required representation letter at the conclusion of the audit.
- Heinfeld Meech continually assesses client relationships to ensure compliance with relevant ethical requirements such as independence.

Annual Comprehensive Financial Report Highlights

- Page 13 - Independent Auditor's Report (Unmodified Opinion)
- Page 23 - Management's Discussion and Analysis
- Page 43 – Financial Statements
- Page 63 – Notes to the Financial Statements
- Page 160 – Statistical Section

Single Audit Report Highlights

- Page 8 – Schedule of Findings and Questioned Costs
 - Auditors did not report any significant deficiencies or material weaknesses in internal control.
- Major Federal Program:
 - Coronavirus State and Local Fiscal Recovery Funds
- City is considered a low-risk auditee

Final Comments

- Management and staff were cooperative and helpful during the audit process.
- Audits met all state and federal regulatory deadlines.
- The Annual Comprehensive Financial Report was issued in time to meet the GFOA submission deadline for the *Certificate of Achievement for Excellence in Financial Reporting*.

Thank you

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