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To: Lemoore City Council Item # 8
From: Cheryl Silva, Finance Director
Date: March 15, 2012
Subject: Audited Financial Statements for the City of Lemoore and the Single Audit

Discussion:

The City of Lemoore has an independent auditor perform an annual audit of the City's financial records and prepare the Annual Financial Statements. The City's independent auditor, Sampson, Sampson and Patterson, Certified Public Accountants, has completed the fiscal year 2010/2011 audits pertaining to the City of Lemoore and the Single Audit Report.

The independent auditor has issued an unqualified opinion for each of these audits. The unqualified opinion is the best opinion that can be given by an auditor to financial statements. The unqualified opinion is issued by an auditor when the financial statements presented are free of material misstatements and represent fairly the financial position in accordance with generally accepted accounting principles.

Bill Patterson from Sampson, Sampson and Patterson will be available Tuesday evening to answer any questions you may have. Also, I will be prepared to answer any questions you may have on our ability to implement any of the recommendations of the findings made by the auditors. Prepared are the 2010/2011 audited financials for review.

The fiscal year 2010/2011 audit contains three findings, they are as follows:

1. *Bank Reconciliations* – Cash is not reconciled to the general ledger on a monthly basis. Bank statements accumulate for several months before they are reconciled to the appropriate general ledger controls.

Response: During fiscal year 2010/2011 the bank reconciliations had not been completed in a timely manner. However, this issue has been greatly improved and will not be an issue for future audits. An accounting technician has been working diligently to reconcile the prior months statements and will have all statements reconciled by fiscal year end.

2. *Cash Receipts at Remote Locations* – There are several departments within the City that receive cash payments as a convenience to customers, then subsequently deliver the payments to the Finance Office for deposit to the bank. Although controls are in place, the audit findings revealed a lack of implementation of some of the controls.

Response: The deficiencies in the cash receipts process were corrected in May 2011. The Finance Department has established a log of all receipt books and is verifying the deposit of monies delivered from remote locations. Any missing receipts are tracked.

3. *Recordkeeping of Capital Assets* – The City did not adequately maintain the fixed asset records during the 2010/2011 year. The detailed fixed assets and depreciation schedules provided to the auditors at year-end did not reconcile to the books.

Response: We will improve our reconciliations of fixed assets and depreciation schedules during the fiscal year. We have improved our disposition of assets procedures. Our goal is to reconcile the depreciation schedules with our accounting software and maintain the schedules for any future asset purchases. Steps are currently being taken to implement the necessary procedures.

Budget Impact:

None.

Recommendation:

That the City Council, by motion, accept the City Financial Statements and the Single Audit.