



DATE: November 8, 2011

TO: Thomas J. Bonfield, City Manager

THROUGH: Wanda S. Page, Deputy City Manager

FROM: David Boyd, Finance Director

SUBJECT: Presentation and submission of Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011

EXECUTIVE SUMMARY

The City of Durham is required by North Carolina General Statutes (NCGS) 159-34 to have an annual financial audit. The purpose of the audit is to obtain an opinion from a Certified Public Accountant on the City's general-purpose financial statements. This audit is also referred to as a Generally Accepted Accounting Principle (GAAP) audit. The Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) promulgate GAAP. In addition to the auditor's opinion, if any issues are identified the auditors also prepare a management letter that discusses internal control and operating efficiencies and are part of the audit findings. This year the auditors have identified no issues to be reported in a management letter.

The Comprehensive Annual Financial Report (CAFR) is produced in conjunction with the audit. The CAFR for the fiscal year ended June 30, 2011, was formally presented to the Audit Services Oversight Committee (ASOC) at its regularly scheduled meeting on October 24th, 2011. The Finance Department has distributed copies of the CAFR to all Council members, including those who are not on the ASOC. The purpose of this item is to formally present and transmit copies of the CAFR for the fiscal year ended June 30, 2011.

RECOMMENDATION

The Finance Department recommends that the City Council receive the CAFR and the presentation by the external auditor of the CAFR for the fiscal year ended June 30, 2011.

BACKGROUND

The objective of the external audit of the City's financial statements is to investigate and determine if the financial statements submitted have been prepared in accordance with financial practices appropriate for the City of Durham. The audit process is based on a framework of standards, concepts, procedures and reporting practices. The result of an audit is a written audit report. The report sets forth the auditor's informed opinion regarding the propriety of the City's implied assertion that the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles.

In addition to the audit report, if necessary, there is a management letter which details any findings discovered by the auditors during their course of planning and performing the audit. If there are findings, then they are reported to management and are discussed as to their

effect on internal controls or operating procedures of the City. A plan of action is implemented by management to resolve these matters. This year the auditors have identified no issues to be reported in a management letter.

For the fiscal year ending June 30, 2011 the City of Durham received an unqualified opinion from its auditors McGladrey & Pullen, LLP. An unqualified opinion is submitted when the audit has been conducted in accordance with generally accepted auditing standards, if it has been possible to apply all procedures necessary in the circumstances, and if the auditor has no reservations concerning the fairness of the financial statements.

The year-end financial picture was shared with City Council at the September 8th, 2011 Work Session.

SDBE SUMMARY

The City's SDBE Ordinance is not applicable to this item.

Attachment: External auditor's presentation