ITEM 10.C.

MOORPARK CITY COUNCIL
AGENDA REPORT

TO: **Honorable City Council**

FROM: **Ron Ahlers, Finance Director** RA

DATE: **June 11, 2010 (City Council meeting of July 7, 2010)**

SUBJECT: **Consider Letter from External Auditors Regarding the FY 2009/10 Audit**

BACKGROUND

Annually the City of Moorpark engages the services of a CPA firm to perform an audit of the financial statements of the City. We currently contract with the firm of Teaman, Ramirez & Smith, Inc. Certified Public Accountants {TRS} for these services. The attached memo is a communication tool by the auditors to the City Council of the City of Moorpark.

DISCUSSION

At the beginning of each audit cycle the external auditors send out a memo to the City Council which states their responsibilities with regard to the audit along with the scope and timing of the audit. Auditing standards (SAS 114) require that this memo be sent to the governing board of the corporation. This is one of the communication tools between the external auditor and the City Council.

The memo is attached for your review.

FISCAL IMPACT

None.

STAFF RECOMMENDATION

Receive and file.

Attachment: TRS Memo regarding the Fiscal Year 2009/10 Audit

TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

June 3, 2010

City Council
City of Moorpark
799 Moorpark Avenue
Moorpark, CA 93021

We are engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Moorpark and the Moorpark Redevelopment Agency for the year ending June 30, 2010. Professional standards require that we provide you with the following information related to our audit. We would also encourage further discussion regarding this information since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated March 3, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with OMB Circular A-133, we will examine, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the City's compliance with those requirements.

Other information included in documents containing audited financial statements such as *management's discussion and analysis* and other *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We will apply certain

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limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we will not audit the information and we will express no opinion on it.

Our audit will be conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical tables will be presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables will not be subjected to the auditing procedures applied in the audit of the basic financial statements and we will express no opinion on them.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will communicate our significant findings at the conclusion of the audit.

We expect to begin our preliminary audit on June 14, 2010 and issue our report in December 2010.

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

Very truly yours,

Seaman Ramirez & Smith