

RESOLUTION NO. 2018-05

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
RECEIVING AND FILING THE CITY OF MARINA AUDITOR'S GOVERNANCE LETTER
(SAS 114), CITY AUDITOR'S MANAGEMENT LETTER OF COMMENTS (SAS 112) FOR
THE FISCAL YEAR ENDED JUNE 30, 2017.

WHEREAS, after each fiscal year independent auditors examine and test the underlying controls, fiscal records and financial transactions from which the City's and Agency's Annual Financial Reports are prepared, and issue their opinion on the basic financial statements contained in the reports, and;

WHEREAS, the City independent auditors, Mann Urrutia Nelson CPAs performed these tasks and issued an unqualified ("clean") opinion, and;

WHEREAS, professional standards require that the auditors provide the City two additional letters, specifically the "Governance Letter (SAS 114)" and "Management Letter of Comments (SAS 112)," and;

WHEREAS, the Governance Letter (SAS 114) ("Exhibit A") includes discussion regarding the auditors' responsibility, City accounting practices, difficulties and/or disagreements encountered, corrected and/or uncorrected misstatements, management representation, management consultation with other independent accountants and other audit findings or issues. Nothing adverse was noted in the letter, and;

WHEREAS, the Management Letter of Comments (SAS 112) ("Exhibit B") includes suggestions for improvements to the City's internal controls over cash receipt, and;

NOW, THEREFORE IT BE RESOLVED, that the City Council of the City of Marina:

1. Receive and file City of Marina Auditor's Governance Letter (SAS 114), City Auditor's Management Letter of Comments (SAS 112) for the fiscal year ended June 30, 2017.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 17th day of January 2018, by the following vote:

AYES: COUNCIL MEMBERS: Amadeo, Morton, O'Connell, Brown, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

ABSTAIN: COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
 GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

January 9, 2018

To the City Council
 City of Marina, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Marina for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 28, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Marina are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by City of Marina during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the City's financial statements (were):

Management's estimate of the depreciation allowance for uncollectible receivables and the liability for Other-Post Employment Benefits is based on the City's Capitalization Policy. Management's estimate for the allowance for uncollectible receivables is based on management's specific identification of loans with long-term deferrals and non-current payments. Management's estimate of the liability for Other- Post Employment Benefits is based on actuarially determined information. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 9, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Marina's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City or Marina's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and Budgetary Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Combining Financial Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

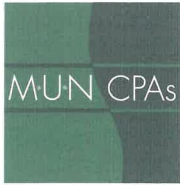
Restriction on Use

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

Very truly yours,

Mann, Urrutia, Nelson CPAs

Mann, Urrutia, Nelson CPAs & Associates, LLP



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
 GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

To Management of the City of Marina
 Marina, California

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marina as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered City of Marina's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Marina's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Marina's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

A control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

We consider the following deficiencies in internal control to be control deficiencies:

- During our procedures to test internal controls over cash receipts, we noted the front desks of City Hall and annex building where customers make cash payments for various transactions and activities are lacking some security features typically seen at other governmental headquarters. Security features such as a window or other barrier separating the City employees from customers and surveillance cameras are not present. We also noted there is not a safe or similar secure device at all a locations for City employees to deposit cash when received.
 - In order to adequately safeguard cash receipts and improve the safety of City employees, we recommend the City install improved security features at locations where cash transactions take place.

This communication is intended solely for the information and use of management and others within the City of Marina, and is not intended to be and should not be used by anyone other than these specified parties.

Mann, Urrutia, Nelson CPAs

Mann, Urrutia, Nelson, CPAs & Associates, LLP
 Sacramento, California
 January 9, 2018

January 10, 2018

Item No: **8j(2)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of January 17, 2018

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2018-
RECEIVING AND FILING CITY OF MARINA AUDITOR
GOVERNANCE LETTER (SAS 114), AND CITY AUDITOR
MANAGEMENT LETTER OF COMMENTS (SAS 112) FOR FISCAL
YEAR ENDED JUNE 30, 2017**

REQUEST:

It is requested that the City Council consider:

1. Adopting Resolution No. 2018- receiving and filing City of Marina auditor governance letter (SAS 114), and City auditor management letter of comments (SAS 112) for fiscal year ended June 30, 2017.

BACKGROUND:

After each fiscal year, independent auditors examine and test the underlying controls, fiscal records and financial transactions from which the City's and Agency's Annual Financial Reports are prepared, and issue their opinion on the basic financial statements contained in the reports. The City independent auditors, Mann Urrutia Nelson CPAs performed these tasks and issued an unqualified ("clean") opinion for the financial reports of fiscal year ended June 30, 2016.

Professional standards require that the auditors provide the City two (2) additional letters, specifically the "Governance Letter (SAS 114)" and "Management Letter of Comments (SAS 112)."

ANALYSIS:

The Governance Letter (SAS 114) includes discussion regarding the auditors' responsibility, City accounting practices, difficulties and/or disagreements encountered, corrected and/or uncorrected misstatements, management representation, management consultation with other independent accountants and other audit findings or issues ("**EXHIBIT A**"). Nothing adverse was noted in the letter.

The Management Letter of Comments (SAS 112) includes suggestions for improvements to the City's internal controls ("**EXHIBIT B**") for cash receipts. The auditors noted a lack of security features typical of other governmental headquarters such as security windows, safe deposit boxes and surveillance cameras. Within the FY17/18 budget, the City Council appropriated funds to perform a space review of the City Hall and Annex Building.

FISCAL IMPACT:

None

CONCLUSION:

This request is submitted for City Council consideration and possible action.
Respectfully submitted,

Lauren Lai, CPA
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne P. Long
City Manager
City of Marina