

City Council Action Item Cover Sheet

DATE: January 16, 2019

Agenda Item:

Resolution 2019-50

Question Before Council:

To approve Resolution 2019-50

Person/Group Initiating Request:

City Manager

Item Summary/Background:

Following the audit, the City is required to file a Plan of Action with the State of Oregon. Resolution 2019-50 outlines the Plan of Action.

The City Manager recommends, after considering any comments, the Council consider the following motion:

I move to approve Resolution 2019-50.



**CITY OF YACHATS
RESOLUTION NO. 2019-50**

**A RESOLUTION ADOPTING A PLAN OF ACTION AND RESPONSE TO THE AUDIT FINDINGS
OF THE AUDITORS REPORT FOR FISCAL 2017-2018 FINANCIAL STATEMENTS.**

The City of Yachats Resolves as follows:

WHEREAS, the City of Yachats has received and reviewed the 2017-2018 Financial Statement audit from the City Auditors (the Audit); and

WHEREAS, the Audit notes commented “The City of Yachats has elected not to have an internal control system designed to provide for the preparation of the financial statements and related footnotes being audited.

As is the case with many small to medium sized Oregon entities, the City of Yachats has relied on its independent external auditors to assist in the preparation of the financial statements and notes as a part of the external financial reporting process. The City’s ability to prepare financial statements in accordance with GAAP and GASB reporting standards is based, in part, on its external auditors, who cannot be considered a part of the City’s internal Control structure.

As auditors, we were requested to draft the financial statements and the accompanying notes as well as assist to making the appropriate adjustments to convert the City’s financial data into appropriate GAAP reporting.”

WHEREAS, the Audit notes also commented “The City’s water and sewer fund charges for services represent one of the City’s largest revenue sources. For fiscal year 2018, the City had \$1,284,848 in combined revenues from their water and sewer services, \$657,968 and \$626,880 from the water and sewer fund, respectively.

The City does not have updated formal policies or procedures over the water and sewer charges for services processes, nor does it have adequate segregation of duties or additional internal controls to ensure the system processes are adequately reviewed and result in accurate financial balances. The City currently has one position that is responsible for determining the water and sewer billing rates, calculating water and sewer billings, performing adjustments to customer accounts, maintaining discounts for low income customers and collecting customer payments.

While no material errors were identified, the control deficiency could result in a material misstatement to the financial statements due to the lack of review, lack of established process and lack of segregation of duties.”

**NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF YACHATS, OREGON
AS FOLLOWS:**

- 1) The City has evaluated the cost v. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and GASB and determined



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that it is in the best interests of the government to outsource this task to its qualified accountant and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation on a continuous timely basis.

- 2) Fund structure changes will be made at the earliest possible opportunity which is July 1, 2018. Therefore, financial data for fiscal 2018-2019 will conform with GAAP and GASB. In the meantime, funds will be restated to comply with fund reporting requirements.
- 3) City personnel responsible for accounting and reporting functions will update fund structures to be compliant with governmental fund accounting and will receive ongoing training of City personnel in GAAP and GASP principles.
- 4) The City is in the process of updating all its internal control procedures, including water and sewer services. Updated procedures will include periodic reviews, updates to the low-income review process, documentation for billing rates, billings, and adjustments. The City is also in the process of researching the best option to review SDC methodologies and water and sewer rates to determine whether rates are sufficient to pay for operations and major reinvestments that will be required in the utility system's future. The second issue was to determine whether our rates are equitable in how they are structured to share the cost of supporting the various utility systems among the various types of utility users.

This resolution was Adopted by the CITY OF YACHATS CITY COUNCIL this 16th day of January 2019 and takes effect upon signing by the Mayor.

W. JOHN MOORE, Mayor

Attest by:

SHANNON BEAUCAIRE, City Manager