



**DATE:** January 19, 2017

**TO:** City Council

**FROM:** Mary Hull Caballero, City Auditor *MHC*

**SUBJECT:** Results of Financial Audit of the City Comprehensive Annual Financial Report for FY 2015-16 and related communications (Report)

I am pleased to submit the results of the annual audit of the City's financial statements for FY2015-16 and the auditor's required communication with you. Moss Adams, the outside CPA firm that conducted the audit, concluded the statements are an accurate reflection of the City's financial condition.

Portland is required by state law and by the federal Single Audit Act to have an annual audit of its financial statements and compliance with the terms of the federal awards the City and the Portland Development Commission receive. Management prepares the financial statements and an outside CPA firm audits them. By Charter, the City Auditor oversees the selection of the outside accountants, and manages terms of the audit contract.

James Lanzarotta, partner at Moss Adams, will discuss the audit results at the February 1, 2017 City Council meeting. While the overall opinion is positive, a financial audit opinion does not speak to the wisdom of the City's past financial decisions. Mr. Lanzarotta's communication calls to your attention that the cost of providing the City's general governmental services continues to exceed the revenues recognizable for financial reporting purposes. The use of the Governmental Accounting Standards to do financial reporting allows the impact of the City's past financial decisions to be measured in a way that is comparable to the financial reports of other municipalities. This excess of costs over revenues for the City's governmental activities is not a material weakness in financial reporting controls, but is a fact which should be monitored.

The audited financial statements are attached as **Exhibit A**. The auditor's required communication with you is attached as **Exhibit B**.

MHC:fche



Agenda No.  
**REPORT**  
Title

Results of Financial Audit of the City Comprehensive Annual Financial Report for FY 2015-16 and related communications (Report)

<p style="text-align: center;"><b>INTRODUCED BY</b> Auditor: <b>Mary Hull Caballero</b></p> <p style="font-size: small; color: blue;"><i>Mary Hull Caballero</i></p> <p style="text-align: center;"><b>COMMISSIONER APPROVAL</b></p> <p>Mayor—Finance &amp; Administration - Wheeler</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Eudaly</p> <p style="text-align: center;"><b>BUREAU APPROVAL</b></p> <p>Bureau: Office of the City Auditor Bureau Head: Mary Hull Caballero</p> <p>Prepared by: Fiona Howell Earle Date Prepared: January 19, 2017</p> <p>Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p><b>City Auditor Office Approval: N/A</b> required for Code Ordinances</p> <p><b>City Attorney Approval: N/A</b> required for contract, code. easement, franchise, charter, Comp Plan</p> <p>Council Meeting Date <b>02/01/2017</b></p>	<p>CLERK USE: DATE FILED <u>JAN 24 2017</u></p> <p style="text-align: center;">Mary Hull Caballero Auditor of the City of Portland</p> <p>By: <u><i>[Signature]</i></u> Deputy</p> <p><b>ACTION TAKEN:</b></p> <p style="text-align: center; font-size: large; font-weight: bold;">FEB 01 2017 ACCEPTED</p>
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<b>AGENDA</b>
<p><b>TIME CERTAIN</b> <input checked="" type="checkbox"/></p> <p>Start time: <b>2:00 p.m.</b></p> <p><b>Total amount of time needed: 45 mins</b> (for presentation, testimony and discussion)</p>
<p><b>CONSENT</b> <input type="checkbox"/></p>
<p><b>REGULAR</b> <input type="checkbox"/></p> <p><b>Total amount of time needed:</b> _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz ✓	
2. Fish	2. Fish ✓	
3. Saltzman	3. Saltzman ✓	
4. Eudaly	4. Eudaly ✓	
Wheeler	Wheeler ✓	