

FINANCE COMMITTEE MINUTES

December 15, 2003

The Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on December 15, 2003 at 3:05 p.m.

COMMITTEE PRESENT	COUNCIL PRESENT	OFFICERS PRESENT
Kyle Jones, Chairman Rex Griswold Dennis Kavanaugh	None	Debbi Dollar

1. Discuss and consider the Comprehensive Annual Financial Report of the City of Mesa for fiscal year ended June 30, 2003.

City Controller Kathy Pace addressed the members of the Finance Committee and introduced John Hunter, a partner with Deloitte & Touche, and Greg Lee, a manager with the firm. She expressed appreciation to Finance Division staff for their efforts and hard work in connection with the preparation of the City's Comprehensive Annual Financial Report.

Mr. Hunter reported that the audit of the Financial Report has been completed successfully. He explained that per regulations initiated by the General Accounting Office (GAO), any public entity that receives Federal funding and has undergone an audit receives an Audit Committee letter from the certified public accounting firm that has conducted the audit.

Mr. Lee provided the Committeemembers with a brief overview of his firm's Audit Committee letter to the City of Mesa relative to the following items: Deloitte & Touche's responsibility under generally accepted auditing standards and government auditing standards; audit adjustments; consultation with other accountants; major issues discussed with management prior to retention; and management advisory services. (See Attachment 1.)

Discussion ensued relative to the fact that during the audit procedures, it was noted that \$8,543,072 in Mesa's Enterprise Fund and \$1,002,873 in General Government developer capital contributions had been contributed in fiscal year 2003, but recorded in fiscal year 2004; that the delay in recording the contributions occurred as a result of the Engineering Division belatedly providing such information to the Finance Division; that the funds were subsequently recorded as contributions in 2003; and the Local Government Investment Pool (LGIP).

It was moved by Committeemember Kavanaugh, seconded by Committeemember Griswold, to recommend to the Council that the Comprehensive Annual Financial Report of the City of Mesa for fiscal year ended June 30, 2003, be approved.

Committeemembers Kavanaugh and Griswold commended the representatives of Deloitte & Touche and also City staff for the thoroughness of the Comprehensive Annual Financial Report.

Carried unanimously.

Chairman Jones thanked everyone for the presentation.

2. Adjournment.

Without objection, the Finance Committee Meeting adjourned at 3:16 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Finance Committee meeting of the City of Mesa, Arizona, held on the 15th day of December 2003. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

pag
Attachment

Attachment

Deloitte.

Deloitte & Touche LLP
Suite 1200
2901 N. Central Avenue
Phoenix, AZ 85012-2799
USA

Tel: +1 602 234 5100
Fax: +1 602 234 5186
www.deloitte.com

November 21, 2003

The Finance Committee
City of Mesa
20 East Main Street, Suite 350
Mesa, Arizona 85211

Dear Finance Committee Members:

We have audited the financial statements of the City of Mesa (the "City") for the year ended June 30, 2003 and have issued our report thereon dated November 21, 2003.

Our professional standards require that we communicate at least annually with you regarding all relationships between our firm and the City that, in our professional judgment, may reasonably be thought to bear on our independence. We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between our firm and the City that, in our professional judgment, may reasonably be thought to bear on our independence arising subsequent to November 8, 2002, the date of our last letter.

We hereby confirm that as of November 21, 2003, we are independent accountants with respect to the City, within the meaning of the Government Auditing Standards Amendment No. 3.

Other Matters

Our professional standards also require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the City is responsible. We have prepared the following comments to assist you in fulfilling that obligation.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America and Government Auditing Standards have been described to you in our engagement letter dated August 15, 2003. As described in that letter, those standards require, among other things, that we obtain a sufficient understanding of the City's internal control to enable us to properly plan our audit and to determine the nature, timing, and extent of audit procedures to be performed.

The City's significant accounting policies are set forth in Note 1 to the City's 2003 financial statements. During the year ended June 30, 2003, there were no significant changes in previously adopted accounting policies or their application.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the City's 2003 financial statements estimates to determine the valuation of allowances for doubtful accounts, inventory reserves, and liabilities incurred but not reported. During the year ended June 30, 2003, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

Audit Adjustments

We believe that the following audit adjustments, either individually or in the aggregate, would have a significant effect on the City's financial reporting process. During our audit procedures, we noted \$8,543,072 in the Enterprise Fund and \$1,002,873 in General Government developer capital contributions that had been contributed in fiscal year 2003, but had been recorded in fiscal 2004. The delay in recording the contributions occurred as a result of the Engineering Division providing information to the Finance Division late. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we are obligated by generally accepted auditing standards to inform you about uncorrected misstatements (regardless of whether they have a significant effect on the financial reporting process) aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A schedule of the uncorrected misstatements has been attached to this letter as Appendix A.

Investments were tested using confirmation with the appropriate bank or investment overseer and an overstatement of the amounts recorded related to the Local Government Investment Pool was noted. The effect of this overstatement has been included in the summary of uncorrected misstatements attached to this letter as Appendix A. Such unrecorded amounts, as well as the effects when considered with the items in Appendix A, were determined by management to be immaterial to the financial statements taken as a whole.

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. In addition, we are obligated by generally accepted auditing standards to inform you of any adjustments arising from the audit that could, in our judgment, either individually or the aggregate, have a significant effect on the City's financial reporting process. All proposed audit adjustments (whether recorded or uncorrected) were reviewed with management and were determined, individually or in the aggregate, not to have a significant effect on the financial reporting process.

Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2003.

Major Issues Discussed with Management Prior to Retention

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

Management Advisory Services

The City did not engage us to perform any management advisory services during 2003.

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

Yours truly,

CITY OF MESA, ARIZONA
SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS
YEAR ENDED JUNE 30, 2003

	Statement of Net Assets	Statement of Activities	Balance Sheet	Statement of Revenues, Expenses and Changes in Fund Balance
Correct valuation of investment loss:				
Loss on Investment--Debit				\$333,345
Investment-Credit	\$(333,345)			