

# Finance Committee Meeting

## Topic: The Audit Process



City of Lockport, NY

May 31, 2023

# What is a Financial Audit?

- A financial audit is a full review of financial data, internal controls, accounting standards, and financial-related transactions.
- Universally standardized accounting standards are dictated through entities such as the Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). These standards change and evolve regularly to reflect new concepts and requirements that organizations need to abide by.





# Why is an Audit Necessary?

- Decision-makers rely on financial records and materials such as the balance sheet and budget to make critical and long-term choices.
- Data needs to be objective, accurate, and in line with standard accounting procedures and regulations.
- An annual financial audit ensures that the data and information that we share with our decision-makers is accurate and reflective of our current financial condition.
- Is generally recommended for any organization.

# The Audit Procedure

- The audit procedure involves having a third party review all relevancy financial records, journal entries, statements, supporting documentation, as well as internal controls and best practices.
- Beginning in January, the City prepares the prior year fiscal closing fully internally. This process ends mid-March, while the audit began the third week in March of 2023 for the 2022 fiscal year.
- The closing process involves the compilation of over 120 electronic files of copies/reports/reconciliations/backup/etc....These individual tasks were fulfilled and provided to the auditor prior to their arrival. A one-week in-person audit is then completed.

# The Audited Statements and Reports

- The FY 2022 Audited Financial Statements and accompanying reports contain a number of key areas that council members may be interested in.
- The following slides will include some of the more significant sections as well as accompanying page numbers to the full report for reference.



# Auditor's Opinion (Page 1)

- The auditor's "opinion" on financial statements tells to what degree management's accounting and financial management is objectively accurate:
  - **Unmodified (Unqualified) Opinion:** statements and financials are presented in respect and compliance of applicable framework. This is the FY 2022 statement opinion.
  - **Qualified Opinion:** there is material misstatement found in the statements but not with pervasive intent.
  - **Adverse Opinion:** there is material misstatement found in the statements with explicit pervasive intent.

# Management's Discussion and Analysis (Pages 4 -9)



- Provides summary-level information about the depth and content of the audit and resulting financial statements.
- Is followed by condensed statements and easy-to-understand narration regarding major points of interest and/or major changes in the statements for the year.
- Recommended for general overview of information.

# Financial Statements (Pages 10 to 20)

- Each financial statement contains audited figures that represent the City's financial stance in varying ways.
- For example, the statement of net position shows the condition of the City as an whole using the accrual basis of accounting, while other statements such as the statement of activities displays a breakdown of governmental functions.





# Notes to Financial Statements (Pages 21 to 49) and Management Letter

- The notes section of the Statements contains explicit detail pertaining to every major section of the financial statements. If you have questions, refer to this area first to see what notes the auditor has made. Also contains some additional tables/charts that may be of use.
- The management letter contains recommended changes for the City to create more financial sound and cohesive structures and internal controls. No deficiencies were identified in FY 2022.

# ~Audit Process Takeaways~

- The annual financial audit is critical to objective and accurate financial accounting in any organization.
- The FY 2022 Audited Financial Statements contain a great deal of information regarding the recently audited fiscal year (12/31/2022).
- The accompanying notes and management letter contains a great deal of information into specific details about critical aspects of our financial health as well as improvements that can be made.