

To: Mayor Pat Humphrey and the Clare City Commission
From: Steven J. Kingsbury, MBA, CPFA, MiCPT
Treasurer, Finance Director and
Director of Information Technology
Date: July 28, 2016
Reference: Treasurer's Report for August 1, 2016

Personal Property Tax Reform: Over the past couple of weeks we have completed the annual reporting process to the State of Michigan's Local Community Stabilization Authority for the reimbursement of lost personal property tax revenues. Enclosed for the Commission's reference is an overview of the reporting guideline from the LSCA.

FY2015/16 Annual Audit: On Tuesday, July 26th we held a pre-engagement meeting with our external auditing firm AHP to plan this year's audit scope and procedures, review FASB, GASB and other guidance changes, to review the financial activities of the City over the past year and to schedule the actual audit. Enclosed for the Commission's review and reference is an overview of the planning meeting and the basic scope of this year's external audit. The audit fieldwork is scheduled for the week of October 10th and if necessary into the following week. At this time FY2015/16 audit report is anticipated to be presented to the City Commission on Monday, November 21, 2016.

Over the next couple of months Michelle and myself will finalize all of the financial validation procedures, prepare all of the fiscal year-end adjusting entries, finalize all of the capital improvement documentation, schedules, annual depreciation and accounting entries and prepare all of the supporting financial schedules, ledgers and reports required for the annual audit which includes the closing of the fiscal year accounting records and preparation of the audited annual financial reports.

Personal Property Tax 2016 Reimbursements Required Forms

Form Number	Form Name	2016 Due Dates ⁽¹⁾
5192	Small Taxpayer Exemption Loss Reimbursement Claim for July 2015 Millage Used to Pay Debt	Obsolete
5220	Small Taxpayer Exemption Loss Reimbursement Claim for December 2015 Millage Used to Pay Debt	Obsolete
5403 ⁽²⁾	Personal Property 2016 Taxable Value for Expired Tax Exemptions	April 30, 2016
5429 ⁽³⁾	Personal Property 2016 Taxable Value for Expired/Expiring Renaissance Zones	June 7, 2016
5176	2016 Tax Increment Financing Personal Property Loss Reimbursement - Non-Brownfield Authorities	July 15, 2016
5176BR	2016 Tax Increment Financing TIF Loss Reimbursement - Brownfield Authorities	July 15, 2016
5448	FYE 2012 Percentage of General Operating Millage Used to Fund Essential Services	July 15, 2016
5403 ⁽²⁾	Personal Property 2016 Taxable Value for Expired Tax Exemptions - REVISED Filing	July 31, 2016
5176ICV	2016 Tax Increment Financing Personal Property Loss Reimbursement for Authorities with Increased Captured Value Loss	August 15, 2016
5451	Personal Property Exemption Loss 2016 Debt Millage Reimbursement Claim for School Districts & Intermediate School Districts (ISDs)	August 15, 2016

⁽¹⁾ Due Dates are for 2016 only. The 2017 due dates will change.

⁽²⁾ Form 5403 was mailed to township and city assessors with an Industrial Facilities Tax (IFT) or Public Act 328 exemption on personal property that was set to expire on December 31st of 2013, 2014, or 2015. If Eligible Manufacturing Personal Property (EMPP) exemption was claimed in May 2016, a revised form must be submitted.

⁽³⁾ Form 5429 was mailed to township and city assessors with a renaissance zone that expired in 2013 through 2015 or will expire in 2016 through 2018.

City of Clare

Audit Planning Meeting Outline July 26, 2016

1. Timing for 2016 audit
2. Recap of last year's engagement
 - a. Things that helped
 - b. Ideas for improvement
3. Operational, financial, or other changes for the City during the year
 - a. New or closed funds
 - b. Personnel changes
 - c. Grants
 - d. Accounting internal control narrative updates
 - e. Compliance internal control narrative updates
 - f. Areas of higher perceived risk
 - g. Single Audit vs. Uniform Guidance
4. Areas of accounting assistance, if desired
 - a. Areas common in the past
 - b. Distinguishing between audit and accounting tasks
5. Milestone dates for
 - a. Portal set-up and use for document transmittal
 - b. Coordination schedule and engagement letter
 - c. Receipt of preliminary trial balance, original budget, and final budget
 - i. Reconciliation to financial statement combinations
 - d. Pre-fieldwork review of coordination schedule documents
 - e. Start of fieldwork
 - f. End of fieldwork
 - g. Exit conference
 - h. Preliminary F/S, RSI, OSI, MD&A, footnotes to Steve
 - i. Receive comments from Steve to incorporate into final draft
 - j. Final draft to Steve
6. Board presentation date – November 21
 - a. Delivery date for board packet
7. Other deliverables
 - a. F-65 due 12/31
 - b. Auditing Procedures Report due 12/31
 - c. Single Audit due 3/31
8. Other items to cover

**Client Prepared or Assembled Schedules and Data
City of Clare**

About this list: This list is designed as a reminder of the types of items that can apply to cities generally. Some items on this list might not apply to the City of Clare. We can clarify any item on the list to help you determine whether it applies to you.

Instructions: If you would like help assembling or preparing items on this list, we can provide an advance estimate of the time expected. If you would like an example of a format for any of the items listed, we can provide that as well.

Financial Statement Components

	1. Transmittal letter (if one is prepared)
	2. GFOA Certificate (if participating in this program)
	3. Management’s Discussion and Analysis
	4. Statistical Tables (only applies if a CAFR is prepared)

General – Accounting Information

	5. Provide a paper and electronic copy of the trial balance as of the end of the year (excel format). The trial balance should be adjusted for the City’s year-end bookkeeping and closing entries.
	6. Have available a copy of the general ledger detail for the year (excel or pdf format).
	7. Have available support for general ledger journal entries posted for the year.
	8. Provide a copy of the current year’s budget and final amended budget (excel format).
	9. Respond to internal control memos and questionnaires (to be provided by the auditors)

General – Other Information

	1. Provide copy of the City’s charter, if changed.
	2. Provide a current organizational chart.
	3. Provide copies of all Council and related subcommittee minutes for the current year and through the end of audit fieldwork. Include copies of any unpublished minutes.

	4. Provide written responses to actions taken with respect to prior year management letter recommendations.
	5. Provide a list of current contracts in effect (e.g., leases, management contracts, consultants, etc.)
	6. Prepare additional confirmation requests if required by the auditors.
	7. Have available copies of correspondence, if any, from regulators that relate to potential noncompliance with regulatory requirements.
	8. Have available legal invoices paid during the year and through the end of fieldwork

Related Party Transactions

	1. List of related entities (other than board members), type of entity, and relationship to the City.
	2. List of related party transactions and amounts during the year, including non-salary transactions (if any) with officers, council members, or organizations for which council members are employed.
	3. List of payments to/from affiliates or related entities.

Cash/Investments

	1. Provide copies of all bank or investment account statements as of June 30, 2016. Provide a list of outstanding certificates of deposit at June 30, 2016 along with supporting statements as of June 30, 2016.
	2. Provide a copy of the bank reconciliation for each bank account. The reconciliation should also include the list of outstanding checks, deposits in transit, and other reconciling items as of the end of the year.
	3. Have available all monthly bank reconciliations and bank statements for the year.
	4. Provide copy of July 31, 2016 bank statement for each bank account.
	5. Indicate who has check-signing or withdrawal authority for each bank account.
	6. Summarize interest income, including accrued interests, for cash accounts for the year and reconcile to the balance shown in the general ledger for the year.

Accounts Receivable

	1. List of accounts receivable (governmental funds and enterprise funds) at June 30, 2016 including the reconciliation of the balances to the general ledger.
	2. Copy of the current year's aging of accounts receivable, if not already included as part of the list above.
	3. Copy of the calculation for estimating the allowance for doubtful accounts.
	4. Copy of the schedule of capital leases receivable showing the amount due within one year and due after one year.
	5. Prepare confirmation requests, if determined to be necessary by the auditors.
	6. Have available a list of cash receipts collected after June 30, 2016.
	7. List of significant accounts written off during the year.

Interfund Balances and Transfers

	1. Provide a schedule of interfund balances by fund as of June 30, 2016 along with the reconciliation to the general ledger.
	2. Provide a schedule of interfund transfers by fund for the year ended June 30, 2016, along with reconciliation to the general ledger.

Inventory (if significant)

	1. Provide a summary of the procedures for counting physical inventory at the end of the year.
	2. Provide a list of inventory on hand at the end of the year. The list should include the following information: <ul style="list-style-type: none">• Description of each inventory item• Number of items on hand, by location, if applicable• Cost or donated value of each item included in inventory• Total value of inventory reconciled to the general ledger balance

	<p>3. Have available the records that show the following inventory details:</p> <ul style="list-style-type: none"> • Items contributed to the organizations by others during the year. • Items sold during the year. • Items donated to others during the year.
	<p>4. Indicate the nature and amount of inventory included in the physical count that is considered obsolete.</p>

Other Assets

	<p>1. Provide a list of the nature and amounts of any other assets. Some examples include prepaid expenses, deposits, amounts due to other organizations, loans receivable, etc.</p>
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Capital Assets / Capital Outlay

	<p>1. Provide the current schedule of capital assets by asset category in a format that shows:</p> <ul style="list-style-type: none"> • Balance at the end of the prior year • <i>Plus:</i> Additions acquired during the year • <i>Less:</i> Disposals during the year • Balance at the end of the year reconciled to the general ledger.
	<p>2. For capital assets additions, provide a list and supporting documentation that includes the following information:</p> <ul style="list-style-type: none"> • Asset description and vendor • Cost • Date acquired • Estimated useful life

	<p>3. For capital assets disposals, provide a list and supporting documentation that includes the following information:</p> <ul style="list-style-type: none"> • Asset description • Date sold or disposed • Selling price, if any • Cost • Accumulated depreciation through the date of disposal • If sold, the name of the purchaser
	<p>4. Have available a schedule of the current year's depreciation calculation along with the accounts to which depreciation is expensed.</p>
	<p>5. Provide a list of significant repair and maintenance expense accounts.</p>
	<p>6. Provide a list of all assets that the City rented or leased during the year.</p>
	<p>7. Provide information about any significant assets that the City plans on disposing of after the end of the year.</p>

Accounts Payable

	<p>1. Provide a detailed list of accounts payable, by fund, at June 30, 2016. The list should show:</p> <ul style="list-style-type: none"> • The payee name • Invoice date • Amount • Account to which the payable were debited. • Reconciliation of the payable balance to the general ledger at June 30.
	<p>2. Have available a schedule of all checks written after June 30.</p>
	<p>3. Have available any unpaid invoices as of the end of audit fieldwork</p>
	<p>4. Provide a list of any accounts payable for which an invoice has not yet been received.</p>

Accrued Liabilities

	1. Provide a list of accrued liabilities as of June 30, for example, accrued payroll and taxes, vacation and sick pay, pension contributions, or other accrued liabilities. For each type of liability, show the details of how the liability was calculated or estimated and agree to the General Ledger
	2. For unused vacation and sick time, have available a schedule that shows each person's unused vacation and sick time and the rate used to calculate the corresponding accrual.
	3. Have available a schedule of other accrued liabilities as of the end of the year.
	4. Provide the PTO policy
	5. Provide a detailed listing of unearned revenue and reconcile to the June 30, 2016 general ledger.

Long-Term and Other Debt

	1. Provide a schedule of long-term debt in a format that shows: <ul style="list-style-type: none"> • Balance at the end of the prior year • <i>Plus:</i> New debt incurred during the year • <i>Less:</i> Debt repayments during the year • Balance at the end of the year reconciled to the general ledger.
	2. Provide a copy of the City's current debt agreements.
	3. Provide a current amortization schedule for each long-term debt agreement _s .
	4. Provide a copy of the City's significant rental or lease agreement _s .
	5. Describe any unrecorded liability or contingency as of the end of the year.
	6. Summary of interest expense reconciled to the general ledger at June 30.
	7. Copy of any existing Line of Credit balance and reconcile to the general ledger.
	8. Net Pension Liability information <ul style="list-style-type: none"> • Copy of the 12/31/2014⁵ MERS pension valuation report • Copy of the 12/31/2014⁵ Statement of Fiduciary Net Position • Have available copies of the monthly pension contributions report and supporting participant demographic data.

Tax Revenue

	1. Provide copy of Current Form L4029, Tax Rate Request Form
	2. Have available copies of the tax warrants for the summer and winter for the current tax year.
	3. Have available copies of the tax settlements provided to / received from other municipalities.

Other Revenue

	4. Federal grants <ol style="list-style-type: none">a. If expenditures of federal awards exceeded \$750,000 for the fiscal year, prepare a Schedule of Expenditures of Federal Awards.b. Provide copies of federal grant agreements, financial reports, and any necessary receipts/remittances submitted for each grant.
	5. State grants <ol style="list-style-type: none">a. Provide a list of state grants received during the year and the grant amount
	6. Other grants <ol style="list-style-type: none">a. Provide copies of grant agreements, financial reports, and any necessary receipts/remittances.
	7. Charges for services <ol style="list-style-type: none">a. Provide a list of the types of services charged by the Cityb. For each service, indicate the department for which the service appliesc. Provide a current rate schedule for each type of serviced. Have available the utility billing records for the year
	8. For miscellaneous revenue: <ul style="list-style-type: none">• Prepare a summary of the sources of revenue, reconciled to the general ledger.• Provide supporting documentation for significant sources of miscellaneous revenue.• Provide a list of donated materials, facilities, or services, if significant. Include the name of donor, description of item or service, and valuation

Expenses

	1. Provide a comparison of the current year's budget-to-actual expenses. Provide details of significant variances. Indicate the number of employees during the year by office location, if applicable. Indicate the number of individuals who worked full-time for the entire year.
	2. Provide a schedule that shows the amount of employee benefit expenses during the year by the type of benefit, for example, pension, health insurance, dental, etc.
	3. Have available the most recent MERS actuarial valuation and support for any payments to MERS and any other retirement or post-employment benefit plans. <ul style="list-style-type: none">a. Copy of December 31, 2015 MERS Actuarial Valuation reportb. Copy of the December 31, 2015 Statement of Actuarial Net Positionc. Support for calculation for allocation of pension expense between governmental activities (by department) and business-type activities and fundsd. Have available copies of the monthly MERS reports and payments
	4. Have available the most recent actuarial information or other data for other retirement or post-employment benefit plans
	5. Provide details of other expense accounts as requested by the auditors.