

August 12, 2002

Honorable Mayor and Members of
The Hermosa Beach City Council

Regular Meeting of
September 10, 2002

**Approval of Services from Independent Auditor
For Audit of Parking Lot/Structure, Implementation of GASB 34 and
Infrastructure Appraisal**

RECOMMENDATION

It is recommended that the City Council engage the firm of Caporicci & Larson (C & L), the City's independent auditor, to:

1. Perform an audit of the revenue and collection systems for the Parking Structure and Parking Lot A for fiscal years 2000-01 and 2001-02, at a cost not to exceed \$2,300.
2. Provide assistance with implementation of Governmental Accounting Standards Board (GASB) Statement 34, which is the new reporting model for state and local governments, at a cost not to exceed \$19,000.
3. Conduct an appraisal of the City's infrastructure assets for compliance with GASB 34, using American Appraisal as a subcontractor, at a cost not to exceed \$13,500.

Note: The parking audit and the GASB 34/infrastructure items are not related. They are combined into one agenda item since staff is recommending that the City's independent auditor be engaged for all projects.

BACKGROUND

Parking Structure/Parking Lot A Audit

The contract with Parking Concepts for collection of revenue and operation of the Parking Structure and Parking Lot A commenced January 2000.

Implementation of GASB 34/Appraisal of Infrastructure

GASB is the standard-setting body for state and local government financial reporting. GASB 34 is the statement that establishes new financial reporting standards, which will affect our financial reporting for fiscal year 2002-03.

ANALYSIS

Parking Structure/Parking Lot A Audit

The City typically has a separate audit of the parking revenue to ensure that internal controls are adequate and that revenue collection is well controlled.

Implementation of GASB 34/Appraisal of Infrastructure

Implementation of GASB 34 will require significant staff time from both Finance and Public Works, in addition to the work to be performed by C & L and American Appraisal. The proposals from the two firms provide details of the activities involved. In general, we will continue to have the traditional financial statements that we have had, but we will also be required to produce an additional set of "government-wide reports", with expanded management analysis and statistical reporting. In order to receive an unqualified opinion on our financial statements, we must be in compliance with all GASB requirements.

One of the major changes required by GASB 34 is infrastructure reporting. State and local governments have not previously been required to report general infrastructure assets (streets, sewers, traffic signals, etc.) in their financial statements. Under GASB 34, we will need to report and depreciate these assets. The implementation date for infrastructure reporting is 2006-07, however staff and the auditors recommend implementing now in conjunction with the other requirements for 2002-03.

Our audit firm, Caporicci & Larson has aligned with the firm, American Appraisal, to provide an appraisal of our infrastructure assets. Basically, American Appraisal independently performs the appraisal work, serving as a subcontractor of C & L. In this manner, C & L accepts the final appraisal product as being in compliance with GASB 34.

FISCAL IMPACT

Funds in the amount of \$29,800 were budgeted for these projects, based on preliminary estimates. An additional \$5,000 will be transferred from Prospective Expenditures to provide the full amount needed.

Respectfully Submitted,

CONCUR:

Viki Copeland
Finance Director

Stephen Burrell
City Manager