

Vote: Larson, Massie, Menard, Metiva, Woodruff in favor; Holler absent

**CITY OF WASILLA  
ORDINANCE SERIAL NO. 08-36**

**AN ORDINANCE OF THE WASILLA CITY COUNCIL AMENDING THE FY-2009 BUDGET BY TRANSFERRING FUNDS IN THE AMOUNT OF \$5,600 FOR INCREASED COSTS ASSOCIATED WITH THE FY2008 AUDIT.**

\* **Section 1. Classification.** This is a non-code ordinance.

\* **Section 2. Purpose.** To appropriate \$5,600 from the General Fund's F-Y2009 Fund Balance for funding the increased costs associated with the FY2008 audit.

\* **Section 3. Appropriation.** Funds are appropriated to the following accounts:

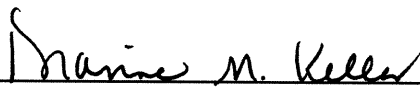
001-4115-411.30-31      Accounting & Auditing      \$ 5,600

\* **Section 4. Sources of Funds.**

001-00000-253.20-00      General Funds Fund Balance      \$ 5,600

\* **Section 5 Effective Date.** This ordinance shall take effect upon adoption of the Wasilla City Council.

ADOPTED by the Wasilla City Council on August 11, 2008.

  
\_\_\_\_\_  
DIANNE M. KELLER, Mayor

ATTEST:

  
\_\_\_\_\_  
KRISTIE SMITHERS, MMC  
City Clerk

[SEAL]



**CITY OF WASILLA  
LEGISLATION STAFF REPORT**

**RE: ORDINANCE 08-36**

**AN ORDINANCE OF THE WASILLA CITY COUNCIL AMENDING THE FY-09 BUDGET BY TRANSFERRING FUNDS IN THE AMOUNT OF \$5,600 FOR INCREASED COSTS ASSOCIATED WITH THE FY-08 AUDIT.**

Agenda of: July 28, 2008  
Originator: Troy Tankersley, Controller

Date: July 10, 2008

| Route to: | Department   | Signature/Date            |
|-----------|--|---------------------------|
| X         | Chief Financial Officer  | <i>Chad Dean 07-16-08</i> |
| X         | Deputy Administrator<br>Planning, Economic Development,<br>Human Resources | <i>Ma [unclear]</i>       |
| X         | City Clerk   | <i>[unclear]</i>          |

**REVIEWED BY MAYOR DIANNE M. KELLER:** *Dianne M. Keller 7/18/08*

**FISCAL IMPACT:**  yes  no      Funds Available  yes  no

Account name/number: 001-4115-411.30-31 Accounting & Auditing

Attachments: Letter received July 3, 2008 from Mikunda, Cottrell & Co., Inc.

**SUMMARY STATEMENT:** The City of Wasilla entered into a contract with Mikunda Cottrell & Co., Inc. in 2006 specifying a 5-year contract. In the contract the fees quoted do not include the result of client changes in the scope of work or newly imposed requirements of professional bodies and regulatory agencies.

The cost budgeted for and specified in contract for FY2009 = \$30,870. As specified by the letter received from Mikunda, Cottrell & Co., Inc. the costs for the FY2008 audit are expected to increase due to regulatory requirements imposed on CPA firms caused from new auditing standards.

The expected increase to the City of Wasilla is approximately 25% or \$7,630 for a total FY2008 audit cost of \$38,500. The FY2009 budget will currently support \$32,900 and therefore a \$5,600 additional appropriation is necessary. It is the Finance Department's recommendation to approve this additional appropriation.



**Mikunda,  
Cottrell & Co., Inc.**  
Certified Public Accountants & Consultants

**RSM McGladrey Network**  
An Independently Owned Member

Offices in Anchorage & Kenai

RECEIVED

JUL 03 2008

July 1, 2008

Honorable Mayor and City Council  
City of Wasilla  
290 East Herring Avenue  
Wasilla, AK 99654

Ladies and Gentlemen:

This letter is to discuss the new auditing standards and the impact it will have on our audit fees. In 2007, auditors began performing audits under new standards that represented the biggest change in auditing since the 1980s. These new standards take us all back to an earlier time when auditing involved a more comprehensive review of business operations.

Some CPA firms have used these changing audit standards as the basis for cost increases of up to 40% to 50%. At Mikunda Cottrell, we believe the proper integration of these new standards with our current audit approach will improve the quality of audit services without requiring price increases of this magnitude. We are opposed to these across-the-board increases and will instead determine price increases on a client-by-client basis. Our goal is to limit the increase in fees as much as possible.

Understanding the changes in auditing standards boils down to one simple question – What is an audit? Is a financial statement audit a task performed solely to render an opinion on a set of financial statements, or is there a broader purpose?

With government agencies, the need for more comprehensive audits became evident in the 1970s when the social programs of the 1960s began to grow out of control. Governmental auditing standards were adopted that required financial statement auditors to also review internal controls and determine whether laws and regulations were being complied with. In the 1980s, these concepts were expanded and applied to all entities receiving large amounts of federal funds, including non-profits, hospitals, and universities.

From the 1970s through the 1990s, financial auditing in the corporate world headed in the opposite direction. To efficiently provide auditing services as our major corporations grew and became more complex, the CPA profession adopted auditing standards that narrowed the scope of financial statement audits and eliminated much of the internal controls testing. Risk-based

Honorable Mayor and City Council  
City of Wasilla

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audit approaches were developed under which account balances and transactions could be analyzed and audited for the sole purpose of rendering a financial statement opinion.

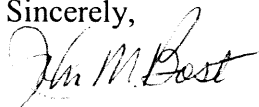
The collapse of Enron and WorldCom shortly after the new millennium brought increased demands for expanded auditing of our publicly-traded companies. In 2002, Sarbanes-Oxley was adopted and required that audits of our publicly-traded companies be expanded to include a review of the internal control systems that feed information into the financial reporting process. **Beginning in 2007, new auditing standards established similar requirements for privately-held corporations and other small businesses, including nonprofit organizations and governmental entities. Future audits performed by Mikunda, Cottrell & Co. will include expanded testing of our client's internal control systems.**

Under the analytical audit approach in place for the last 25 years, audit hours often remained unchanged from year to year and CPA firms were able to enter into long-term audit contracts that assumed a stable level of audit hours. The new internal controls approach will fundamentally change these assumptions. The cost to review and evaluate internal controls, and the impact of this work on other audit procedures, will vary from audit to audit (and from year to year).

Stability in the control environment will become a critical factor in determining audit costs. As a business experiences significant change, the cost to audit these evolving operations should be expected to increase. A significant level of change will not only require additional audit hours, but could necessitate increased involvement from the more experienced members of the audit team.

If you have any questions regarding the content of this letter, please give me a call. We are very much looking forward to working with everyone at the City again.

Sincerely,



John M. Bost, Audit Director  
Mikunda, Cottrell, & Co.