

MARIN GENERAL SERVICES AUTHORITY

371 Bel Marin Keys Blvd., Suite 100, Novato, CA 94949

PHONE: (415) 883-9100

FAX: (415) 883-9155

MEMORANDUM

DATE: March 13, 2008
TO: MGSA Board of Directors
FROM: Paul Berlant, Executive Officer
SUBJECT: AGENDA ITEM F: FY2006 - 2007 AUDIT REPORT

Recommendation: Accept the Audit Report for FY2006 – 2007 prepared by John Maher Accountancy.

Background:

John Maher Accountancy has prepared the audit for the FY2006 – 2007 fiscal year. The report notes, “The Authority does not have an internal process to prepare financial statements in accordance with generally accepted accounting principles including the related disclosures.” However, “ Management believes that, because the financial transactions of the Authority are few and simple, the internally prepared, interim financial information available to management and board is sufficient to provide the information needed to manage the organization. Therefore, the added cost required to produce full-disclosure financial statement in accordance with generally accepted accounting principles is not justified.” Otherwise, the report contains no exceptions or other management recommendations. Prior to finalization of the report, Mr. Maher requested that a Board member review the draft audit report and financial statements. Ken Nordhoff graciously did this on behalf of the Board.

As the final audit report was being prepared, it came to my attention that the MGSA does, in fact, own certain assets, namely the streetlights acquired by the predecessor JPA the Marin Street Light Acquisition (MSLA) JPA. As Mr. Maher pointed out to me and Ken Nordhoff, audits for the streetlight JPA as well as the MGSA have taken the position that the streetlight JPA was a "Phase 3 government" (under \$10 million in annual revenues) as defined in GASB Statement No. 34 and was not required to account for infrastructure assets acquired before June 30, 2003. Due to the difficulty in determining an historical cost and accounting for accumulated depreciation and the cost in auditing the existence of the poles, it was determined not to voluntarily report those assets. When MGSA was formed and assumed the assets and liabilities of MSLA, it was interpreted as a succession of an ongoing activity and, accordingly, MSLA's GASB 34 transition rules were deemed to be applicable to MGSA. However, in the interest of full disclosure, Mr. Maher has included language in the report that indicates that the streetlights exist and are owned by MGSA and an explanation of the "successor" relationship to MSLA. Mr. Maher will be prepared to review this issue, and any others the Board may have at the Match 13th meeting.