

Independent Audit Policy

I. POLICY STATEMENT

The City of Brighton is a political subdivision of the State, organized for the purpose of providing municipal services to residents of the City as defined in the Charter. The City is governed by a nine-member City Council. The Council's primary functions are to provide for the general operation and personnel of the City, to oversee the property, facilities and financial affairs of the City, and to establish policies for the City. It is the intention of the Council that this policy always be in compliance with the requirements of the Governmental Accounting Standards Board (GASB) and be informed by the applicable *Best Practices and Advisories* developed by the Government Finance Officers Association ("GFOA"); however the Policy must also reflect the objectives and tolerances of the City. This Policy has been drafted with reference to the guidance of the GFOA as of the date of adoption. It is understood that the GFOA amends and modifies its guidance over time.

The Council assigns to the City Manager or the Manager's designee overall responsibility for audit preparation, presentation, and administration. For the purposes of this Policy, the City Manager's designee is presumed to be the Finance Director (the "Director") who functions as the fiduciary entrusted to protect and enhance the City's financial condition. The Director is to periodically review the GFOA's *Best Practices and Advisories* and recommend conforming modifications to this Policy as warranted.

II. POLICY PURPOSE AND SCOPE

This Policy will set guidelines for audit preparation and presentation. The GFOA recommends and supports the use of generally accepted accounting principles (GAAP) in state and local government accounting and financial reporting and the efforts of GASB in establishing GAAP. State and local governments should have uniform government-wide accounting and financial reporting systems to improve the government's ability to accurately track all government expenditures, revenues, assets, and liabilities.

The annual audit includes the City's audited statements for the fiscal year as well as other information about the City. Such report must meet specific standards established by GASB in order to be considered a comprehensive annual financial report. The guidelines contained in this Policy adhere to the Colorado Constitution and State Statutes and reflect the recommended practices and guidelines of the GFOA and GASB.

III. LEGAL REQUIREMENTS

In accordance with state law and the City's Charter (Section 10.14), the City's financials shall be audited annually and presented as the Comprehensive Annual Financial Report (CAFR) of the City, following the close of the fiscal year. As contemplated in the City Charter, the Council shall appoint an independent certified public accountant licensed to practice in Colorado and knowledgeable in government accounting to conduct the audit.

IV. APPOINTMENT OF AUDITOR

To create a balance between independence, fresh perspectives, staff continuity, audit efficiency and competitive pricing the City will solicit proposals for auditing services at least every five years. The auditor selected shall have no direct personal interest in the fiscal affairs of the City, an elected official of the City, or any employee of the City. The incumbent auditor is barred from responding to the solicitation unless the firm can indicate a rotation of principals.

The Council shall annually approve the appointment of an auditor to audit the City's financial statements.

Only in unique and extraordinary circumstances, when it is deemed to be in the City's best interest, is the Council to consider approving the appointment of the incumbent auditor for an additional single year beyond a five-year period. In no event is an auditor to be retained to audit the City's financial statements for more than six consecutive years.

Nothing in this policy prohibits the Council from acting to limit the duration of the engagement in order to protect the City's interests should the Council determine an early termination is warranted for performance or pricing considerations or other criteria advantageous to protecting the City's reputation or financial condition.

V. PREPARATION OF THE AUDIT

The City's audit shall contain, at a minimum, the following:

1. Financial statements prepared in conformity with generally accepted governmental accounting principles.
2. All funds of the City.
3. A budget to actual comparison for each fund at a minimum.
4. The auditor's opinion on the financial statements. If the opinion is anything other than unmodified, the reason must be explained.
5. Disclosure of all instances of noncompliance with federal or state law.
6. A supplemental listing of all investments held by the City at the date of the financial statement.
7. A calculation of the City's fiscal year spending in accordance with the state constitution.

The auditor also shall make recommendations to the City concerning its financial records, procedures and related activities as may appear necessary or desirable and shall perform such other related services as may be requested by the Council.

The City's CAFR shall be prepared and presented in a manner consistent with applicable federal and state laws, regulations, and rules in addition to the best practices of GASB and GFOA.

VI. PRESENTATION

The audit shall be completed within six months after the close of the fiscal year and presented to Council. Upon acceptance of the audit by Council, the CAFR shall be posted to the City's website and all applicable websites for purposes of disclosure as specified in the City's Debt Management Policy and Post-Issuance Compliance Policy for Tax-Exempt and Tax-Advantaged Obligations.