

CITY COUNCIL MEETING

January 21, 1981

COUNCIL CONCERNED
ABOUT DELAY IN
RECEIVING
ANNUAL AUDIT

On motion of Councilman Hughes, Pinkerton second, the City Clerk was directed to correspond with Ernst and Whinney to ascertain the reason for the delay in receiving the Audited Financial Statements and other Financial Information for the City of Lodi for fiscal year ended June 30, 1980 and also to inquire as to when the City might expect receipt of the Management Letter concerning this audit.

Cont

Contract FILE # 843

Ernst & Whinney

555 Capitol Mall, Suite 650
Sacramento, California 95814,

February 5, 1981

916/447-3237

Ms. Alice M. Reimche, City Clerk
City of Lodi
221 West Pine Street
Lodi, California 95240

Dear Alice:

Thank you very much for your letter of January 28, 1981. In response to your first question regarding the report date of October 27, 1980, and your receipt of the actual report on January 7, 1981, the delay was due primarily to questions raised in correspondence with your attorney. Briefly, in connection with an annual audit we inquire of your internal and external attorneys regarding asserted and unasserted claims and the potential outcome thereof. The purpose of the inquiry is to determine whether or not all appropriate accruals and necessary disclosures have been made in your annual financial statements. Several of the responses from the attorneys indicated the possibility of significant contingent liabilities. Therefore, rather than issuing our report with a "qualified" opinion, we thought it was in the best interest of the City to work toward resolving the issues or obtaining more refined estimates of the probable losses and consequently issue an "unqualified" opinion. Final input from the various attorneys was received in our office on December 17, 1980, at which time we completed our second-partner review procedures, etc., as quickly as possible.

With respect to the management letter, all management letter-type items have been previously discussed with representatives of the City in the course of our examination. Also, we have recently formalized these comments and forwarded a discussion draft for Fred Wilson's review prior to final issuance.

Please feel free to call us if we can provide any further input or help. Also, should the Council wish to meet with us, we would be available at its convenience. Again, thank you for your letter and if we can provide any further assistance, please do not hesitate to call.

Very truly yours,



David T. Christensen
Partner

DTC:smh

cc: Mr. Henry A. Graves, Jr.
Mr. Jerry Glenn
Mr. Fred Wilson

FEB 06 1981