

### 8.B.1 Approval of 2006-07 Audit Report – (Action) (Approve Recommendation from Finance Committee)

As a recipient of federal funding, SWWDB is required to have an independent audit conducted annually. The audit of fiscal year 2006-07 records was conducted by Wegner LLP CPAs and Consultants, Madison.

The Finance Committee has met with representatives of Wegner several times during the audit process. The most recent meeting was on November 27, 2007 when Wegner representatives presented the preliminary 2006-07 audit report. It was noted that SWWDB remains a low-risk auditee and there were no questioned costs. After reviewing the audited Financial Statements, they stated that they are providing an Unqualified Opinion, which is the highest rating an organization can receive on an audit.

Throughout the audit, Wegner representatives have explained that in March 2006, the Auditing Standards Board (ASB) issued new Statements on Auditing Standards (SAS) which bring sweeping changes and provide new guidance for the preparation of audits for non-public companies.

One change that affected SWWDB immediately was the preparation of the financial statements and appropriate disclosures. Historically, SWWDB has had the audit firm prepare the financial statements. If Wegner again prepared the financial statements, they would be required to identify this fact as a deficiency. The Finance Committee, on October 10, 2007 directed Wegner to prepare the financial statements in accordance with the Generally Accepted Accounting Procedures (GAAP) for 2006-07 even though it meant that the deficiency would need to be noted in the audit documents.

Since the November 27, 2007 meeting, Wegner has finalized the audit documents. The final audit documents enclosed include:

- **Attachment 1** – Final 2006-07 Financial Statements
- **Attachment 2** – Communication with Audit Committees
- **Attachment 3** – Communication of Significant Deficiency
- **Attachment 4** – Management Letter

The Management Letter (**Attachment 4**) identified two (2) areas which SWWDB should address. They are:

- Preparation of the financial statements and appropriate disclosures in accordance with Generally Accepted Accounting Principles (GAAP) as required by the new Statements on Auditing Standards (SAS).
- Review of current SWWDB policies and procedures in accordance with SAS to provide and maintain a strong system of internal control.

Management has carefully considered the recommendations contained in the management letter and has prepared a response to each of the suggestions (**Attachment 5**). Annette Meudt will review the management response at the Finance Committee meeting that will be held immediately prior to the Board meeting.

## **ENCLOSURE 4**

The audit documents, management letter and the administration response will not be formally presented at the Board meeting. Board members interested in hearing a detailed review of the audit documents are encouraged to attend the Finance Committee meeting that begins at 4:00 p.m. at the Hodan Center. Mr. David Odahl will also be available at the meeting to answer board member questions.

It is expected that the Finance Committee will recommend approval of the 2006-07 Audit Report. Approval of the audit report is necessary so SWWDB staff can forward the report to the DWD in compliance with federal regulations.

Board action on the Finance Committee recommendation is requested.