



# Sacramento Area Council of Governments

AUDIT COMMUNICATIONS

# The VTD Audit Team

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David Showalter, CPA

Group Audit Partner

Roger Alfaro, CPA

Technical and QC Audit Partner

Karlee Ransom, CPA

Audit Manager

Other Senior and Staff Auditors to be assigned

# Audit Scope

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Perform the audit of the:

- Comprehensive Annual Financial Report (CAFR)
- OMB Uniform Grant Guidance – Single Audit

We will not audit the following, but will refer to the separate audits in our report:

- LTF and STA Funds

# Our Responsibility

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U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Express opinions about whether the financial statements that have been prepared by management are presented fairly, in all material respects, in conformity with generally accepted accounting principles

- Reasonable, not absolute assurance
- Audit does not relieve the management of its responsibilities

For Single Audit, express an opinion on compliance applicable to major federal programs

# Our Responsibility

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Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures –

- Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity
- No opinion on internal control will be expressed

# Our Responsibility

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Communicate other matters:

- Qualitative aspects of accounting policies, accounting estimates and note disclosures
- Difficulties encountered
- Uncorrected misstatements
- Material corrected misstatements
- Disagreements with management
- Management representations
- Consultations with other accountants

# Planned Scope and Timing

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## Timeline:

- Planning and Interim Fieldwork – August 2017
- Final Fieldwork – November 2017
- Report Delivery – December 2017

# Our Approach

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## Planning and Risk Assessment:

- Meet with Management
  - Obtain an understanding of the entity, its environment and risks
  - Identify audit risk areas
  - Inspect financial and other information
  - Consider/inquire regarding fraud risks
  - Tone at the Top
  - Understand the design and implementation of internal control
  - Prepare risk assessment and audit plan
- Test key business cycles – revenue, disbursements, payroll, investments, capital assets, financial reporting, IT and budget
  - Conduct periodic status meetings throughout fieldwork
  - Single Audit – preliminary planning



# Our Approach

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## Final:

- Address key audit areas
- Review financial statements and disclosures prepared by management
- Perform tests, on a sample basis, on account balances and classes of transactions
- Test journal entries
- Assess accounting principles used and significant estimates
- Confirm contingencies with legal counsel
- Consider subsequent events
- Review audits performed by other auditors

## Exit:

- Propose / discuss audit adjustments
- Present findings and recommendations
- Provide required communications to those charged with governance

# Key Audit Areas of Risk

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## Revenue Recognition:

- Testing of internal controls over revenue recognition
- Testing of management's estimate over period of availability (GASB 33)
- Existence of accounts receivable

## Investments in Marketable Securities:

- Test FMV assumptions – GASB 72
- Test compliance with investment policy
- Credit risk
- GASB 72 Disclosures

# Key Audit Areas of Risk

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Net OPEB Obligation

Net Pension Liability:

- Testing of internal controls over census data and transmission reports submitted to the Plan
- Review and testing of audited pension information from the Plan
- GASB 68 disclosures
- Review and recalculation of allocation of net pension liability to funds and outside entities

Consolidation of outside audits

Year end accruals

# Audit and Accounting Standards

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## Current Year

Governmental Accounting Standards Board Pronouncements  
(Effective June 30, 2017)

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 73**

- In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Effective for financial statements for periods beginning after June 15, 2016 (June 30, 2017).

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 74**

- In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective for financial statements for periods beginning after June 15, 2016 (June 30, 2017).

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 77**

- In August 2015, the GASB issued Statement No. 77, *Tax Abatement*. Effective for financial statements for periods beginning after December 15, 2015 (June 30, 2017).

# Audit and Accounting Standards

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## Current Year

Governmental Accounting Standards Board Pronouncements  
(Effective June 30, 2017)

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 78**

- In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Effective for financial statements for periods beginning after December 15, 2015. (June 30, 2017)

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 80**

- In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. Effective for financial statements for periods beginning after June 15, 2016. (June 30, 2017)

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 82**

- In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Effective for financial statements for periods beginning after June 15, 2016. (June 30, 2017)

# Audit and Accounting Standards

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## Future Year

Governmental Accounting Standards Board Pronouncements  
(Effective after June 30, 2017)

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 75**

- In February 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for financial statements for periods beginning after June 15, 2017 (June 30, 2018).

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 81**

- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Effective for financial statements for periods beginning after December 15, 2016. (June 30, 2018)

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 85**

- In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. Effective for financial statements for periods beginning after June 15, 2017. (June 30, 2018)

# Audit and Accounting Standards

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## Future Year

Governmental Accounting Standards Board Pronouncements  
(Effective after June 30, 2017)

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 86**

- In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. Effective for financial statements for periods beginning after June 15, 2017. (June 30, 2018)

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 83**

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Effective for financial statements for periods beginning after June 15, 2018 (June 30, 2019).

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 84**

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. Effective for financial statements for periods beginning after December 15, 2018. (June 30, 2020)

# Audit and Accounting Standards

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## Future Year

Governmental Accounting Standards Board Pronouncements  
(Effective after June 30, 2017)

### **GOVERNMENTAL ACCOUNTING STANDARD NO. 87**

- In June 2017, the GASB issued Statement No. 87, *Leases*, Effective for financial statements for periods beginning after December 15, 2019. (June 30, 2021)



# Questions

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Contact information

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