



AUDIT ENTRANCE

Metro

JUNE 20, 2016



MOSS-ADAMS_{LLP}
Certified Public Accountants | Business Consultants



Audit Committee

Metro

Dear Audit Committee Members:

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for state and local governments. We are pleased to present our audit plan for Metro for the year ending June 30, 2016. We would also like to discuss current-year developments and auditing standard changes that will affect our audit.

We welcome any questions or input you may have regarding our audit plan, and we look forward to working with you.

Your Dedicated Team



Jim Lanzarotta
Engagement Partner and Overall
Engagement Reviewer



Kevin Mullerleile
Concurring Reviewer



Ashley Osten
Engagement Senior Manager and
Delegated Engagement Reviewer



Brad Smith
Assurance Partner and Delegated
Engagement Reviewer



Stephen Sharpe
Engagement Senior Manager and
Single Audit In-Charge



Required Communications to those Charged with Governance

- Auditor's responsibility under US generally accepted auditing standards
 - Planned scope and timing of audit
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- Significant audit findings
 - Qualitative aspects of accounting practices
 - Difficulties encountered in performing the audit
 - Corrected and uncorrected misstatements
 - Management representations
 - Management consultations with other independent accountants
 - Other audit findings or issues



Our Responsibility Under US **and Government** Auditing Standards

1 To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and conform to U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2 To perform an audit in accordance with generally accepted auditing standards issued by the AICPA **and the Comptroller General of the United States**, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3 To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4 To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, **we** are not required to design procedures for the purpose of identifying other matters to communicate to you.

Audit Deliverables



- Report of Independent Auditors' on the basic financial statements
- Report of Independent Auditors' on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report of Independent Auditors' on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance
- Report of Independent Auditors' on Compliance with the Provisions of the Oregon Zoo General Obligation Bonds and Natural Areas General Obligation Bonds
- Schedule of Findings and Questioned Costs
- Disclosures and Independent Auditors' Comments Required by the Minimum Standards for Audits of Oregon Municipal Corporations
- Communications to those charged with governance
- Information Technologies Report
- Management Letter

Audit Process

INTERNAL CONTROLS

- Includes Information Technology



ANALYTICAL PROCEDURES

- Revenues and expenses
- Trends, comparisons, and expectations

SUBSTANTIVE PROCEDURES

- Confirmation of account balances
- Vouching to supporting documentation
- Representations from attorneys and management
- Examining objective evidence

What is Materiality?

It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements

It's calculated using certain **quantitative** (*e.g., total assets*) and **qualitative** factors (*e.g., covenants, expectations, or industry factors*)



It's used to identify :

- Significant risk areas
- Nature, timing, extent, and scope of test work
- Findings or misstatements

Significant Audit Areas



Revenues and Receivables



Bonds Payable – Open Spaces and Zoo Infrastructure



Capital Assets



Pension Liability and Related Pension Expense (year 2 considerations)



Compliance with Federal Laws and Regulations



Oregon Legal Compliance Testing (OMS)

Consideration of Fraud



Auditors must consider fraud to
“improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.”

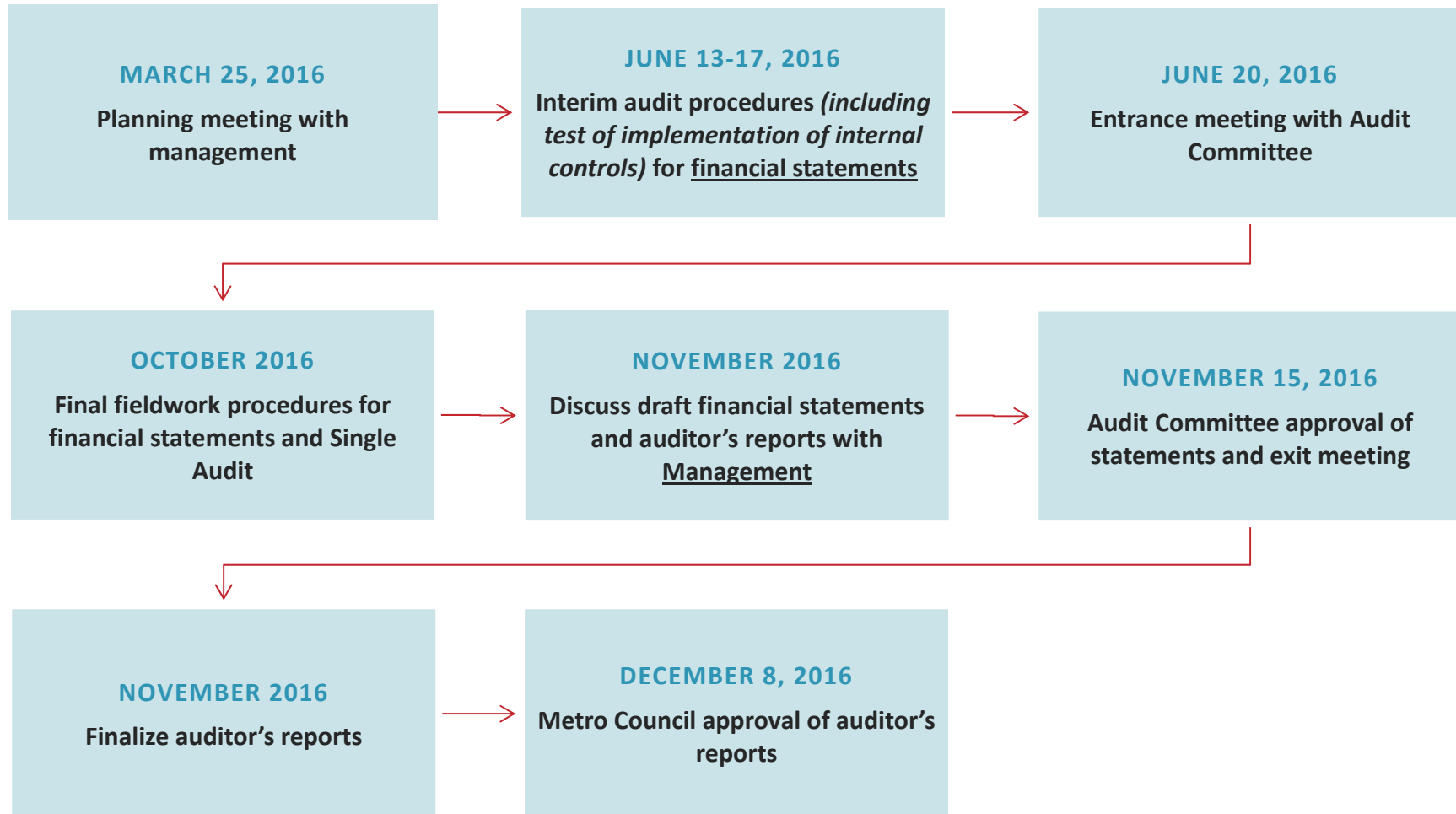
How we gather information to identify fraud-related risks of material misstatement:

- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures to be performed:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate the business rationale for significant unusual transactions

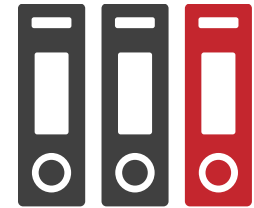
Audit Timing





Accounting Update

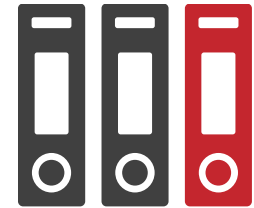
New Standards



GASB 72 | Fair Value Measurement and Application

- Generally requires investments to be measured at fair value.
- An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.
- Requires disclosures to be made about fair value measurements, the level in the fair value hierarchy, and valuation techniques.
- Effective for reporting periods beginning after June 15, 2015.
- Early adoption is permitted.

New Standards



GASB 79 | *Certain External Investment Pools and Pool Participants*

- Establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost.
- If an external investment pool meets the criteria, the pool's participants should also measure their investments in that external investment pool at amortized cost.
- Establishes additional note disclosure requirements.
- Effective fiscal years beginning after June 15, 2015.
- Early adoption is permitted.

Uniform Grant Reform

SIGNIFICANT CHANGES:

- Consolidation of policies
- Internal controls
- Compliance requirements
- Audit requirements
- Procurement requirements
- Procurement standards
- Allowable costs
- Equipment
- Sub-recipient monitoring
- Single Audit threshold changes



Timeline



Federal agencies
effective December 26, 2014

Single Audits
fiscal years beginning on
or after December 26, 2014

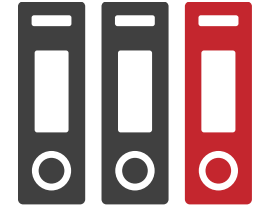
Non-Federal agencies
for awards made after
December 26, 2014 (new
awards and increments)

COFAR FAQ on Uniform Guidance

- Issued by Council on Financial Assistance Reform (COFAR) on August 29, 2014
- Second set of FAQs
- Based on questions for grantors, grantees, and grant oversight personnel
- <https://cfo.gov/cofar/>

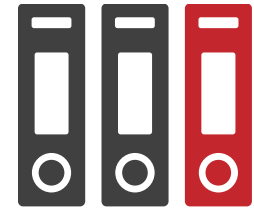


Additional New Standards



- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Projects



- Revenue and expense recognition
- Leases
- Financial reporting model
- Fiduciary activities
- Asset retirement obligations



Thank you!

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