Pisenti & Brinker Background

2018 Audit Team:

- Brett Bradford – Partner
- Greg Fontana – Concurring Reviewer
- Kellin Gilbert – Audit Manager
- Jenna Blanchard – Audit Supervisor
Audit of the Year Ended June 30, 2018
Financial Statements

Relative Roles & Responsibilities

- **Management** is responsible for preparing the Financial Statements and establishing a system of internal control.

- **Auditor** is responsible for auditing the Financial Statements.
  - Considering risks of material misstatement in the Financial Statements - Inherent risk
  - Considering internal controls relevant to the Financial Statements - Control risk
  - Performing tests of year-end balances based on risk assessment
  - Evaluating adequacy of disclosures
Risk Assessment Process - What We Considered

- Guidance from authoritative bodies (AICPA, GASB)
- Internal factors
  - Expertise of accounting staff, employee turnover, etc.
  - Susceptibility of account balances to error based on complexity and volume of underlying transactions
- External factors
  - Macroeconomic – level of sales tax or other local support
  - Regulatory environment – any new compliance requirements
Risk Assessment Results for Year Ended June 30, 2018 Audit

- Significant areas of focus
  - Compliance with Strategic Plan
  - Revenue Recognition and related receivables – Measure M Sales Tax
  - Revenue Bonds – Compliance with bond indentures and adequacy of the financial statement disclosures
  - Cash and Investments – Valuation and Disclosure
  - Financial Statement Note Disclosure – Complete and without bias
Focus of the 2018 Audit

- Significant areas of focus:
  - Cash & investments: 10%
  - Compliance: 30%
  - Revenue recognition and accounts receivable: 25%
  - Accounts payable and other liabilities: 10%
  - Financial statement presentation and disclosure: 20%
Measure M Compliance Testing

- **Areas tested for compliance with Measure M include:**
  - Sales tax revenue allocation to Measure M Activities in compliance with the Strategic Plan
  - Expenditures are in accordance with the Strategic Plan and consistent with the Measure M Activity

- **Measure M Bond activity compliance:**
  - Timely bond payments
  - Maintenance of debt service reserve
  - Segregation and use of debt proceeds
Audit of the Year Ended June 30, 2018 Financial Statements

- Audit is almost complete at this point in time
- We expect to report:
  - Unqualified opinion – financial statements are materially accurate
  - Compliance with Measure M – one instance of material non-compliance noted
Material Non-Compliance

- We identified one instance of material non-compliance
  - The allocation of Measure M Funds for the Local Street Rehabilitation program was miscalculated.
  - The miscalculation resulted in nine jurisdictions receiving additional funding and the County of Sonoma was underfunded.
Material Weakness in Internal Controls

- The material non-compliance was a result of a material weakness in internal control over the allocation of Local Street Rehabilitation funds.
- Management has adopted additional internal controls over allocations as a result of this finding.
Reporting

- The material weakness in internal control is discussed in our report on compliance for an audit performed in accordance with Government Auditing Standards.
- The material non-compliance is reported in the Schedule of Findings and Responses.
- Management’s response to our finding is discussed in the Corrective Action Plan.
Audit of the Year Ended June 30, 2018 Financial Statements

During the performance of our audit we did not encounter any:

- Fraud
- Illegal acts
- Disagreements with management
- Significant or unusual transactions
Required Communications with those charged with governance:

- One material audit adjustment have been identified at this time.
  - A receivable and an advancement has been recorded related to the non-compliance discussed earlier.
- Measure M did not adopt any significant new accounting policies nor were there any changes in existing significant accounting policies during the year.
Other required communications with those charged with governance

- There were no disagreements with management concerning the scope of our audit, the application of accounting principles, or the basis for management’s judgments on any significant matters.
- No alternative treatments of accounting principles for material items in the financial statements were discussed with management.
- We did not encounter any difficulties in dealing with management during the course of our audit.
Questions?

- Brett Bradford: 707-577-1582
- Kellin Gilbert: 707-577-1511