



2016 Audit Results

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Lane County

DECEMBER 8, 2016

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants



FINANCE & AUDIT COMMITTEE
LANE COUNTY

DECEMBER 8, 2016

Dear finance & audit committee members:

Thank you again for your continued engagement of Moss Adams. We are pleased to meet with you to discuss the results of our audit of Lane County, Oregon's financial statements, federal program compliance, and state compliance for the year ended June 30, 2016.

The accompanying report, intended solely for the use of the finance & audit committee, presents important information regarding the County's financial statements that we believe will be of interest to you.

We conducted our audit with the objectivity and independence you expect. We received the full support and assistance of the County's personnel. We are pleased to serve and be associated with the County, and we look forward to our continued relationship.

Moss Adams, LLP

AGENDA

- Engagement Team
- Nature of Services Provided
- Auditor Opinions/Reports
- Significant Audit Areas
- Communication with *Those Charged with Governance*
- Results of Tax Levy Engagement
- Accounting Update



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NATURE OF SERVICES PROVIDED



NATURE OF SERVICES PROVIDED

1 Audit the County's financial statements (with reliance on other auditor for HACSA) in accordance with GAAS and GAGAS

2 Assistance with, and technical review of, the CAFR for compliance with GAAP as well as GFOA Certificate of Excellence requirements

3 Compliance testing/reporting under Oregon Minimum Audit Standards

4 Single Audit of federal grant programs under Uniform Guidance

NATURE OF SERVICES PROVIDED

5

Examination for Local
Option Levy

6

Reporting - Overall audit plan,
audit results, communicating
internal controls findings and
noncompliance

7

Consulting Projects

- (1) Observed Finance Director interviews
- (2) Quantified loss of Sheriff's Office theft

AUDITOR OPINIONS & REPORTS

AUDITOR REPORT ON THE FINANCIAL STATEMENT

Unmodified Opinion

- Financial statements are presented fairly and in accordance with US GAAP





OTHER AUDITOR REPORTS

GAGAS Report on *Internal Control Over Financial Reporting* and on *Compliance and Other Matters*

- No financial reporting findings
- No compliance findings

Report on Compliance with Requirements that could have a *Direct and Material Effect on the Major Federal Programs* and on *Internal Control Over Compliance* in accordance with the **Uniform Guidance for Federal Awards (2 CFR Part 200)**

- No control findings
- No compliance findings

OTHER AUDITOR REPORTS



Report on Compliance and Other Matters based on an audit of financial statements in accordance with **Oregon Minimum Standards**

- No compliance findings

SIGNIFICANT AUDIT AREAS

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Audit Area	Procedures	Results
Cash and Investments	Confirmations Investment valuation testing Oregon legal compliance testing	Balances properly supported and reported – Recommendations provided to Sheriff’s Office following theft
Revenue and Receivables	Review of contracts Subsequent receipts Detail testing	Revenue/receivable materially correct
Capital Assets	Review of County’s valuations Testing additions Analytical tests of depreciation Review of GASB 51 intangible assets policies & procedures	Capital assets materially correct
Accounts Payable	Subsequent disbursements Trace to supporting docs Control testing Testing approvals and coding	Accounts payable materially correct

SIGNIFICANT AUDIT AREAS

Audit Area	Procedures	Results
Accrued Liabilities, including PERS & OPEB	Review of management analysis, testing of assumptions	Management adequately supported estimates and consistently applied, reported balances agreed with underlying support
Long Term Debt	Testing of payments and interest	Debt transactions were supported by underlying agreements, in compliance with applicable laws
Net Position Fund Balance	Review of board minutes, testing management's support	Net position/fund balance classifications adequately supported
Grants	Testing of the SEFA, Uniform Guidance procedures	SEFA materially correct, no compliance issues identified

SIGNIFICANT AUDIT AREAS

Audit Area	Procedures	Results
Oregon Minimum Standards	Specific testing of certain ORS requirements affecting the County	County found to be in compliance
Financial Close and Reporting	Completing disclosure checklists, testing year-end close, CAFR	County met its delivery timelines and CAFR only required minor changes following our review
Fraud	Fraud inquiries with personnel Testing of journal entries	Additional work was conducted at Sheriff's Office following theft



COMMUNICATION WITH
THOSE CHARGED WITH GOVERNANCE

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Planned Scope and Timing of the Audit

It is the auditor’s responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence and to communicate with those charged with governance an overview of the planned scope and timing of the audit.

OUR COMMENTS



- The planned scope and timing of the audit was communicated to the County’s finance & audit committee at the audit entrance meeting on August 18, 2016.

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Significant Accounting Policies and Unusual Transactions

The auditor should determine that the finance & audit committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the finance & audit committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

OUR COMMENTS



- Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in the footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2016.
- We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Management Judgments and Accounting Estimates

The finance & audit committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

OUR COMMENTS



- Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.
- Significant management estimates impacting the financial statements include the following: **Useful lives of capital assets, allowances for doubtful accounts, and estimated liabilities for claims and judgments, OPEB, and PERS.**
- We deemed them to be reasonable.

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Management Judgments and Accounting Estimates (Continued)

Our views about qualitative aspects of the entity’s significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures

OUR COMMENTS



- The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive estimates affecting the financial statement disclosures are **pensions and other postemployment benefit obligations**.
- We deemed them to be reasonable.

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Difficulties Encountered in Performing the Audit

The finance & audit committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

OUR COMMENTS



- We are pleased to report that there were no difficulties encountered during the audit

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial

The finance & audit committee should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the County’s internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated.

The finance & audit committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

OUR COMMENTS



Passed Adjustments - County

- None

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Potential Effect on the Financial Statements of Any Significant Risks and Exposures

The finance & audit committee should be adequately informed of the major risks and exposures facing the County.

Disagreements With Management

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the County's financial statements, or the auditor's report.

OUR COMMENTS



- The County is subject to potential legal proceedings and claims that arise in the ordinary course of business.
- We are pleased to report that there were no disagreements with management.

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the finance & audit committee.

OUR COMMENTS



FINANCIAL STATEMENTS

- **Material weakness**
None noted
- **Significant deficiency**
None noted

FEDERAL AWARDS

- **Material weakness (noncompliance)**
None noted
- **Significant deficiency (noncompliance)**
None noted

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Representations requested of management

We requested certain representations from management that are included in the management representation letter.

OUR COMMENTS



- We will receive the representation letter from management prior to issuing our reports.

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Management's consultation with other accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

OUR COMMENTS



- We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Other Material Written Communications

Report to the Finance & Audit Committee significant written communications between the auditor and client management.

Material Uncertainties Related to Events and Conditions (specifically going concern issues)

Any doubt regarding the entity's ability to continue, as a going concern, should be communicated to the audit committee.

OUR COMMENTS



- Other than the audit contract, management representation letter and communication of those charged with governance, there have been no other significant communications.
- No such matters came to our attention.

COMMUNICATION WITH GOVERNING BODY

MATTER TO BE COMMUNICATED



Fraud and Illegal Acts

Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We are also required to communicate any illegal acts involving senior management that come to our attention, unless clearly inconsequential.

OUR COMMENTS



- We have not become aware of any instances of fraud or illegal acts, except for the Sheriff's Office theft, which the County has investigated and prosecuted.

RESULTS OF TAX LEVY ENGAGEMENT



RESULTS OF TAX LEVY ENGAGEMENT

- CLEAN OPINION
 - Local Option Levy Tax Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance
 - County's Assertions in the Jail and Youth Services Operating Report

RESULTS OF TAX LEVY ENGAGEMENT



Local Option Levy Tax Fund created

- Continued use of special revenue fund
- Methodologies in place to allocate shared expenses for levy funded programs

Continued appropriation of General Fund dollars for jail service funding

- Budget and financial reporting systems include Dept ID coding for community corrections
- General Fund reported current year Sheriff's Office expenditures

RESULTS OF TAX LEVY ENGAGEMENT

At least 255 local adult jail beds were operated during FYE 2016

- Tax levy funds spent on adult jail beds
- Observed 256 adult jail beds in operation
- Counts are performed regularly

At least 16 youth detention beds and 16 youth treatment beds were operated during FYE 2016

- Tax levy funds spent on critical youth services
- Observed 16 detention and 16 treatment beds in operation
- Counts are performed regularly



RESULTS OF TAX LEVY ENGAGEMENT

Tax levy allocated 91% to jail operations and 9% to critical youth services

- County's budget followed prescribed tax levy allocation
- Sampled journal entries for proper allocation of tax levy funds

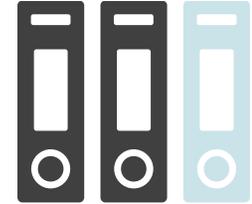
Local Option Levy Fund received an unmodified opinion in the FYE 2016 financial statement audit.

- County implemented controls over the financial closing and reporting of the fund
- Audit procedures did not identify audit adjustments



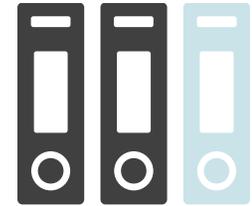
ACCOUNTING UPDATE

NEW STANDARDS



- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*
- GASB Statement No. 83, *Certain Asset Retirement Obligations*

WHAT HAS THE GASB BEEN UP TO?



- *Fiduciary Activities* – To develop guidance regarding the application of fiduciary responsibility criteria in deciding whether and how governments should report fiduciary activities in their external financial reports
- *Leases* – Reexamine issues related to lease accounting, determination of whether leases meet the definition of assets or liabilities
- *Debt Extinguishment* – Looks to update certain debt extinguishment reporting
- *Omnibus 201X* – Intends to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB standards (blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits))

ACKNOWLEDGEMENTS

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