

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

AUDIT ENTRANCE

Metro

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're pleased to present our audit plan for Metro for the year ending June 30, 2017. We'd 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 Reviewer
and Partner



KEVIN MULLERLEILE

Concurring
Reviewer



BRAD SMITH

Delegated Engagement
Reviewer and Partner



ASHLEY OSTEN

Audit Senior
Manager



GREG DAMON

Information Technology
Senior Manager

REQUIRED COMMUNICATIONS

to Those Charged with Governance

ENTRANCE



Auditor's responsibility under U.S. generally accepted auditing standards

Planned scope and timing of audit

EXIT



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

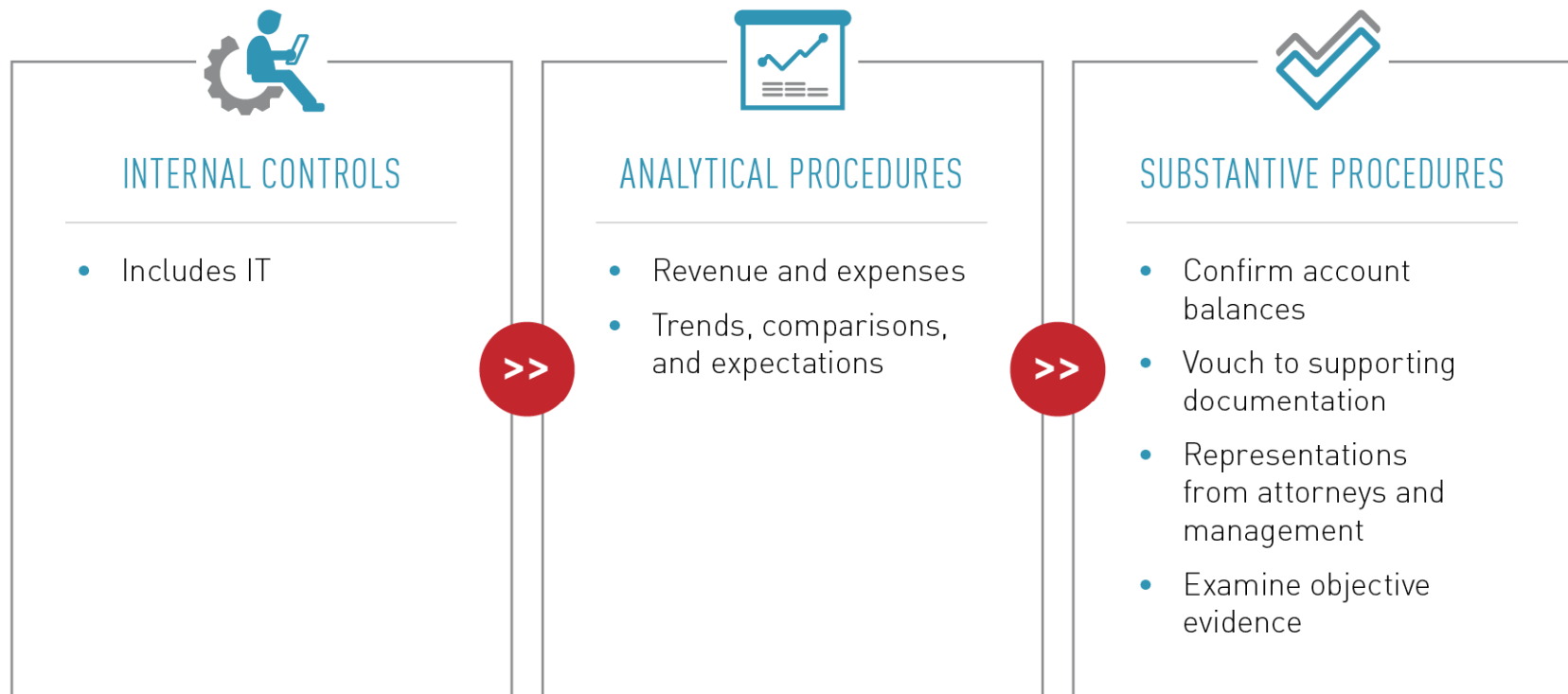
OUR RESPONSIBILITY

- Assess if the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with US GAAP.
- Perform an audit in accordance with:
 - Generally accepted auditing standards issued by the AICPA
 - Government Auditing Standards issued by the Comptroller General of the United States
- Design the audit to provide assurance about whether the financial statements are free of material misstatement
- Consider internal controls over financial reporting and compliance as a basis for designing effective audit procedures
- Communicate findings that are relevant to your responsibilities in overseeing the specific matters of the financial reporting process and administering Federal awards

SUMMARY OF OUR SERVICES

- 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



WHAT'S 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** (total assets) and **qualitative** factors (covenants, expectations, or industry factors)

It identifies:

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

SIGNIFICANT AUDIT AREAS



Revenues and receivables



Bonds payable – Open Spaces and Zoo Infrastructure



Capital assets



Pension liability and related pension expense



Compliance with Federal laws and regulations and Oregon Minimum Standards (OMS)



CONSIDERATION OF FRAUD



To identify fraud-related risks of material misstatement, we:

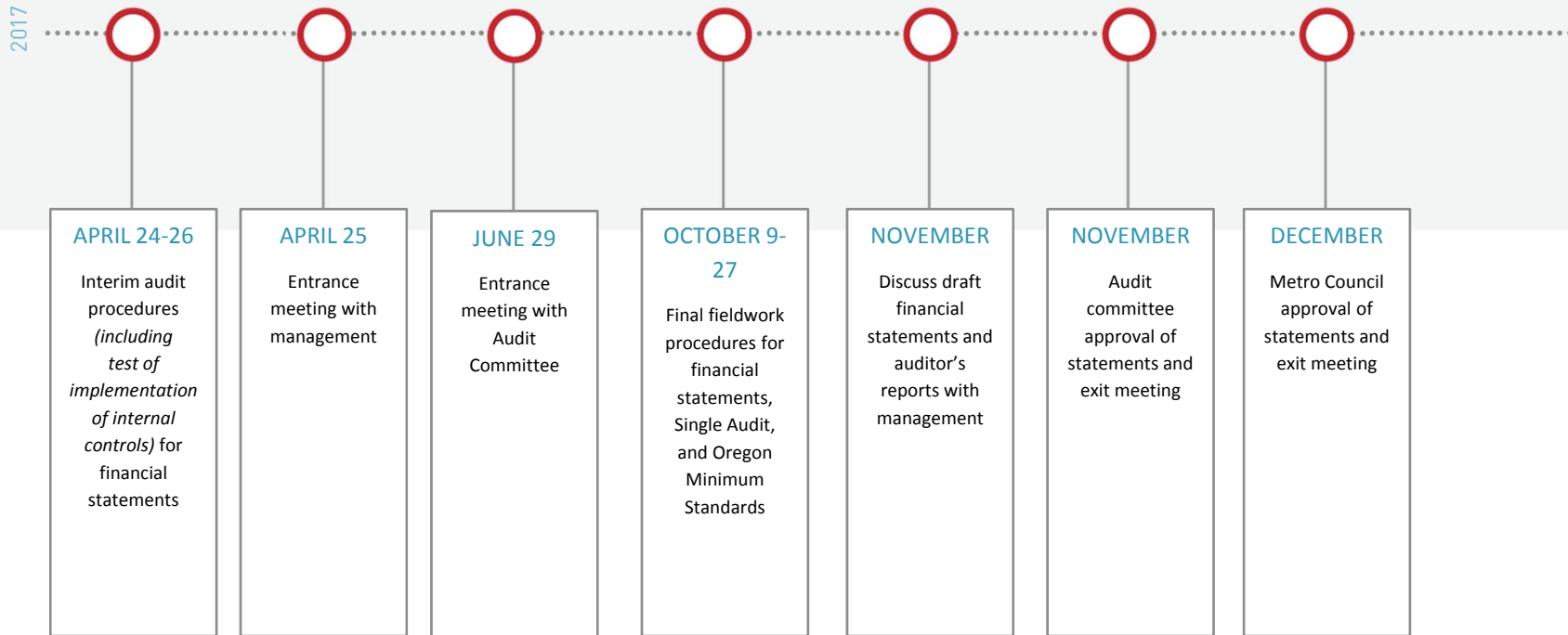
- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

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

Procedures we perform:

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

AUDIT TIMING





SECTION

02

Accounting Update

NEW STANDARDS

Financial Reporting for Postemployment Benefit Plans Other than Pension Plans

[GASB 74]

- Effective for the current fiscal year
- Establishes financial reporting standards to improve the usefulness of information about postemployment benefits other than pensions included in the financial reports of state and local government benefit plans for making decisions and assessing accountability
- Applicable for defined benefit OPEB plans that are administered through trusts that meet specified criteria
- Required to include a statement of fiduciary net position, a statement of changes in fiduciary net position, more extensive note disclosures, and RSI related to the measurement of the OPEB liabilities
- Early adoption is allowed

NEW STANDARDS

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

[GASB 75]

- Effective for June 30, 2018 fiscal year
- Establishes standards for governmental employer recognition, measurement, and presentation of information about postemployment benefits other than pensions
- Requires governments to report a liability on the face of the financial statements for the other postemployment benefits (OPEB) that they provide
- Requires more extensive note disclosures and required supplementary information about the OPEB liabilities
- Early adoption is allowed

NEW STANDARDS

Tax Abatement Disclosures

[GASB 77]

- Effective for the current fiscal year
- Requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues
- Early adoption is allowed

NEW STANDARDS

Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

[GASB 78]

- Effective for the current fiscal year
- Amends scope and applicability of GASB 68
- Now will exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer
- Establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information

NEW STANDARDS

Pensions Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73

[GASB 82]

- Effective for June 30, 2018 fiscal year
- Establishes accounting and financial reporting requirements for pensions provided to the employees of state or local governmental employer
- Amends guidance related to the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements
- Early adoption is allowed

NEW STANDARDS

Certain Asset Retirement Obligations

[GASB 83]

- Effective for June 30, 2019 fiscal year
- Establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to certain asset retirement obligations
- Early adoption is allowed

NEW STANDARDS

Fiduciary Activities

[GASB 84]

- Effective for June 30, 2020 fiscal year
- Establishes criteria for identifying fiduciary activities of all state and local governments
- Clarifies whether and how business-type activities should report their fiduciary activities
- Early adoption is allowed

NEW STANDARDS

Omnibus 2017

[GASB 85]

- Effective for June 30, 2018 fiscal year
- Clarifies guidance related to the following:
 - Blending a component unit in circumstances in which the primary government is a business-type activity reporting in a single column for financial statement presentation
 - Reporting amounts previously reported as goodwill and “negative” goodwill
 - Classifying real estate held by insurance entities
 - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
 - Timing of the measurement of pension and other postemployment benefits liabilities and related expenditures recognized in financial statements prepared using the current financial resources measurement focus
 - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
 - Simplifying certain aspects of the alternative measurement method for OPEB
- Early adoption is allowed

NEW STANDARDS

Certain Debt Extinguishment Issues

[GASB 86]

- Effective for June 30, 2018 fiscal year
- Provides guidance for transactions in which cash and other monetary assets acquired with only existing resources (i.e., resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt
- Early adoption is allowed

STANDARDS IN THE WORKS

- Financial Reporting Model – Reexamination of Statements 34, 35, 37, 41, and 46 and Interpretation 6
 - Objective is to make improvements to the financial reporting model
 - Most notable is an evaluation of resource recognition for governmental funds and revision of required footnote disclosures being considered
 - Enhance the effectiveness of the model in providing information that is essential for decision-making and enhance the ability to assess a government's accounting
 - Current status: Board continued deliberations, outreach efforts planned
- Leases – Reexamination of NCGA Statement 5 and GASB Statement 13
 - Objective is to reexamine issues associated with lease accounting and consider improvements to existing guidance
 - Current status: Board agreed to move forward to a preballot draft of the final Statement

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