



perspective
GAINED

**Auditor Communications to
the Board of Directors**

Presented by:
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Agenda

- Summary of Required Auditor Communications
- Surprise Procedures
- Key Financial Information
- Discussion of Audit Scope
- Advisory Comments and Emerging Issues



Financial Statement Audit

- To determine if the financial statements as a whole are materially correct
- Performed on a test basis
- Significant areas
 - Cash
 - Accounts receivable and related revenue
 - Capital assets
 - Accounts payable, other liabilities, and related expenses
 - Payroll; including pension and OPEB
- Unmodified opinion

Required Communications

Our Responsibility

OUR RESPONSIBILITY

- To express an opinion on the financial statements based on our audit performed in accordance with under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*.

MANAGEMENT'S RESPONSIBILITY

- The preparation and fair presentation of the financial statements is management's responsibility.
- Establishment and monitoring of internal controls.

PLANNING AND PERFORMING THE AUDIT

- We consider internal control, but do not express an opinion on it.
- We perform tests in key audit areas; those tests may change from year to year.

Required Communications

Qualitative Aspects of Accounting Policies

ACCOUNTING POLICIES

- Significant accounting policies are set forth in Note 1 to the financial statements.
- WAHBE adopted GASB Statement No. 75 during the year.
- The audit was as of and for the year ended June 30, 2018.

MANAGEMENT'S SIGNIFICANT ESTIMATES

- Depreciation expense
- OPEB liability
- Net pension liability

ACCOUNTING DISCLOSURES

- Sensitive disclosures: Notes 6, 7 and 8
- Disclosures were neutral, consistent and clear.

Required Communications

Corrected and Uncorrected Misstatements

ADJUSTMENTS

- None

PASSED
ADJUSTMENTS

- None

TOTAL IMPACT OF
ADJUSTMENTS

- None

Required Communications

Other Required Disclosures

DISAGREEMENTS DIFFICULTIES

- No disagreements with management.
- No difficulties in performing the audit.

MANAGEMENT'S REPRESENTATIONS

- As part of the audit, we obtained a signed letter from management attesting to certain representations made during the audit.

CONSULTATIONS AND OTHER MATTERS

- We are not aware of management having consultations with other accountants. If it were to be the case, standards require those auditors check with us to ensure they have all the relevant facts.
- We communicate with management throughout the year on a variety of matters prior to retention as the Exchange's auditor. Those discussions were in the ordinary course of business and not a condition of our retention.

Required Communications

Internal Control Matters

MATERIAL WEAKNESS

- A deficiency in internal control such that a material misstatement of the financial statements may not be prevented, or detected and corrected, by the Exchange's internal control

SIGNIFICANT DEFICIENCY

- A deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

AUDIT RESULTS

- We did not identify any deficiencies in internal control that we deem to be material weaknesses. However, material weaknesses may exist that have not been identified.

Surprise Procedure

RISK

- Inaccurate or fraudulent reporting to those charged with governance due to perceived performance demands/pressures.

PROCEDURE

- Obtained a copy of the financial statements presented to the Board at the mid-year meeting and agreed them to general ledger system reports.

RESULTS

- No issues noted.

Surprise Procedure

RISK

- Potential for fraudulent expenditures.

PROCEDURE

- Obtained disbursement detail for both 2017 and 2018 and sorted by vendor. Investigated changes that exceeded scope.

RESULTS

- No issues noted.

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