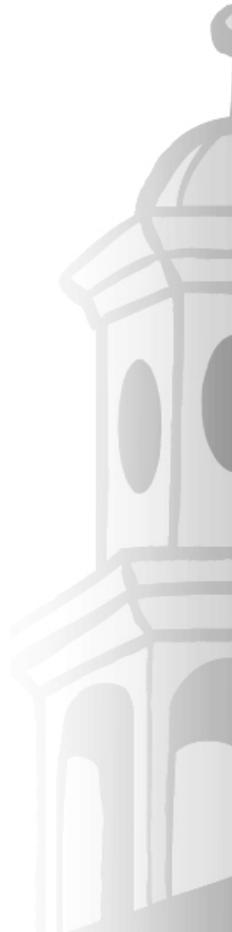


Reporting the Results of the Audit

William Hall
Senior Financial Consultant
Vermont League of Cities and Towns
March 29, 2016



Auditor's Report

- **“The auditors shall report their findings in writing...”**
- **State statutes specifically require certain items be reported**
- **There are many other helpful items you may wish to consider adding**



Auditor's Report

- **CPA's auditor's report**
 - **Introductory paragraph – identified the audit work that was performed and the responsibility of the auditor**
 - **Scope paragraph – provides a general description of the nature of the work, examples of procedures performed, and any limitations the auditors faced**
 - **Opinion paragraph – states the opinion of the auditor as to the fair presentation of the financial statements and whether they are presented in accordance with generally accepted accounting principles**



Auditor's Report

- **Town auditor's report**
 - **Introductory paragraph – what you did**
 - **Objectives – what you wanted to demonstrate**
 - **Scope and methodology – how you did it**
 - **Opinion – what you think**
 - **Findings – what you found**



Introduction

- **“We have audited the accompanying financial statements of the Town of X, as of and for the year ended June 30, 2015, as listed in the table of contents.”**
- **“These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.”**



Objectives

- **“We conducted our audit in accordance with 24 VSA 1681-1684, which, among other things, requires that we examine and adjust the accounts of all town officers and all other persons authorized by law to draw orders on the town treasurer.”**



Objectives

- **“Our objectives were to**
 - **Validate the correctness of the town accounts**
 - **Detect fraud or errors in these accounts**
 - **Verify the financial condition and results of operations of the town as of and for the year ended June 30, 2014”**



Scope and Methodology

- **“To accomplish these objectives, we obtained an understanding of the operation of the town’s government, including internal controls over financial transactions.”**
- **“We interviewed town officials to gain an understanding of town operations.”**
- **“We reviewed the town’s accounting system, cash handling procedures, and segregation of duties.”**



Scope and Methodology

- **“To verify the existence and year end balance of cash accounts, we confirmed the year end balance with the bank.”**
- **“In addition, we performed a cash proof for all accounts with activity that was greater than \$XX,XXX.”**



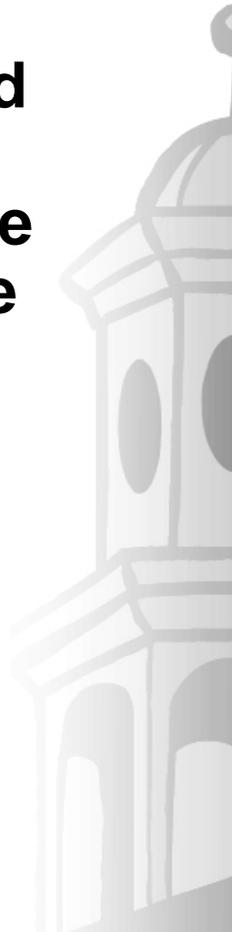
Scope and Methodology

- **“To verify the amount of delinquent taxes at year end, we performed a reconciliation of taxes billed, tax adjustments, tax payments, and penalty and interest billed and collected.”**
- **“To verify the amount of accounts payable at year end, we performed a review of payments made sixty days subsequent to year end to detect unrecorded payables.”**



Opinion

- **“In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of X as of June 30, 2014, and the results of its operations for the year then ended.”**



Findings

- **Report any findings**
 - **Condition**
 - **Criteria**
 - **Cause**
 - **Effect**
 - **Recommendations**
 - **Management response**



Town Auditor's Reports

- **Town of Guilford**
 - **Starts with what the auditor's duties are and how they conducted their audit**
 - **Doesn't specifically express an opinion on the fairness of the financial statements**
 - **Handy guide to the town report at top of report**



Town Auditor's Reports

- **Town of Alburgh**
 - **Follows the format of a CPA audit report**
 - **Clearly states what they did, and clearly expresses an opinion as to the fairness of the presentation**
 - **Notes improvements to reporting based on previous findings**



Town Auditor's Reports

- **Town of Cabot**
 - **Makes note of audit by external auditors and the availability of their report**
 - **States what the auditors did and expresses an opinion**
 - **Note separate report from Select board chair regarding findings by the external auditors and their response**



Town Auditor's Reports

- **Town of Westfield**
 - **States what procedures were followed**
 - **Discussed findings directly with Select board**
 - **Made note there were no items outstanding over 30 days**



Town Auditor's Reports

- **Town of Ryegate**
 - **Refers to the statutory authority**
 - **Refers to the procedures they followed**
 - **Expresses an opinion on the fairness of the financial statements**
 - **Discloses a finding on maintenance of property tax records**



Contents of the Report

- **Statement of financial condition**
- **Summary of receipts and disbursements by budget category**
- **List of outstanding payables**
- **Report of deficits, if any**
- **Statement of condition of all trust funds**
- **Statement of outstanding bonds and notes**
- **Findings of independent auditors**



Statement of Financial Condition

- **Town of Ryegate**
 - **Assets include cash, delinquent taxes, and other receivables**
 - **Liabilities include prepaid property taxes**
 - **No deferred inflows for unavailable tax revenues**
 - **Fund balances broken out by fund**



Statement of Financial Condition

- **Town of Northfield**
 - **Full modified accrual balance sheet**
 - **Receivables, prepaid expenses**
 - **Accounts payable, accrued payroll unavailable revenues**
 - **Fund balance by type – unavailable, restricted, assigned and unassigned**



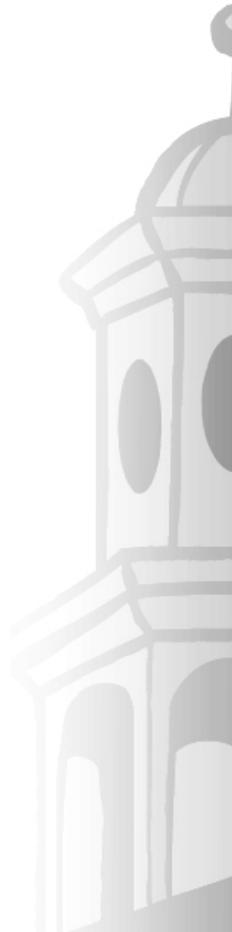
Summary of Receipts and Disbursements by Budget Category

- **Town of Alburgh**
 - **Detailed listing of receipts and expenses**
 - **Reflects transfers to other funds to show net amount available to the general fund**
 - **Indicates beginning and ending cash balances**



Summary of Receipts and Disbursements by Budget Category

- **Town of Bethel**
 - **Budget comparison schedule with estimated tax rate impact of each article**
 - **Expenditure breakdown chart**
 - **Budget summary showing allocation of total budget to separate budget articles**



List of Outstanding Payables

- **All outstanding orders and payables more than 30 days past due**
 - **Statute is a bit confusing**
 - **Typically will only find a total amount of accounts payable, no detail**



Report of Deficits

- **24 VSA 1523 (c) defines deficit**
 - **Excess of current liabilities and reserves over current assets**
 - **Current assets are those assets that are available to meet the cost of operations**
 - **Current liabilities are those liabilities that are payable within a relatively short period of time**



Report of Deficits

- **24 VSA 1523 (a) outlines process that must be followed in the event of a deficit**
 - **Refunded through long-term borrowing**
 - **Vote a special tax to make up deficit**
 - **Add 5% or multiples of 5% when setting tax rate to make up deficit**



Condition of Trust Funds

- **Town of Bethel**
 - **Shows income and distributions to beneficiaries**
 - **Shows breakdown of investments and value of portfolio**



Outstanding Bonds and Notes

- **Town of Bethel**
 - **Details of each bond and note payable**
 - **Breakdown by fund**
 - **Interest rate and annual debt service**
 - **Date of final payment**
 - **Could also present original amount**
 - **Schedule of future debt service requirements**
 - **Schedule of changes in debt during the year**



Outstanding Bonds and Notes

- **Town of Northfield**
 - **5 year projected schedule of notes and bonds payable**
 - **Shows current balance and date of final payment**
 - **Detail for each loan**



Statement of Taxes Raised

- **Town of Cabot**
 - **Shows different components of the grand list**
 - **Shows breakdown of budgets voted**
 - **Reconciles taxes billed and collected**
 - **Grand list and tax comparison schedule 2008-2014**



Statement of Taxes Raised

- **Town of Guildford**
 - Shows breakdown of articles voted
 - Shows the calculation of the highway fund and municipal fund tax rates
 - Shows how local agreement rate is calculated



Salary Information

- **Town of Cabot**
 - **Shows salaries by individual**
 - **Reconciles quarterly wages and taxes to different tax returns**
 - **Reconciles total wages to individual expense accounts**

