

City of Montclair

Financial Statement Audit

Fiscal Year Ended

June 30, 2020



Auditor Responsibilities

- Express opinions about whether the financial statements prepared by management, with oversight by City Council, are fairly presented in conformity with US GAAP
- Consider internal control over financial reporting to determine our auditing procedures, not to provide assurance on internal controls over financial reporting
- Reasonable assurance about whether the City's financial statements are free of material misstatements

Audit Process

- Preliminary Interim Audit Fieldwork
 - Assess the risk the financial statements could be materially misstated due to fraud or error
 - Gain an understanding of design and implementation of internal controls over financial reporting including:
 - Cash receipts process, cash disbursements process, purchasing process, payroll process, various other significant audit areas
 - Review specific transactions, observe processes, inquire with City staff throughout the City, including outside of City Hall

Audit Process – Cont.

- Year-end Audit Fieldwork
 - Audit balances and amounts in the City's financial statements
 - Procedures involve auditor's judgment based on risk assessment
 - Substantive testing of the balances and amounts to provide reasonable assurance
 - Confirmation, testing of transactions, inquiry of City Staff, analytical procedures

Reports and Letters Issued

- Audit Report - Opinion on Financial Statements
- Report on Internal Control and Compliance
- Report on the City's Appropriations Limit
- SAS 114 Communication Letter

Reports and Letters Issued – Cont.

- Single audit
 - When Federal Expenditures exceed \$750,000
- All reports, once issued will be provided to City Council by the Finance Director

Audit Report on the Financial Statements

- Management's Financial Statements
- Auditor's Responsibilities
 - Express opinion
 - Reasonable assurance
 - Conduct audit in accordance with applicable standards; obtain evidence
 - Procedures involve auditor judgment
 - Risk assessment

Audit Report on the Financial Statements - continued

- Opinion
- Required Supplementary Information
 - Budgetary schedule, Pension schedules
 - Limited audit procedures – no opinion expressed
- Other Supplementary Information

Report on Internal Control and Compliance

- Internal control over financial reporting
- Consider internal control to determine what audit procedures to perform
- Not to express an opinion
- Compliance testing – no opinion
 - Test for compliance that could be material to the financial statements

Report on Internal Control and Compliance – Cont.

- Required to report material weaknesses, significant deficiencies, material noncompliance, or other matters

Report on City's Appropriations Limit

- Required by Article XIII B of the California Constitution
- Specific procedures to test the calculation for the fiscal year ended June 30, 2020
 - Agreed-Upon Procedures Report
- Spending Limit from proceeds of taxes
 - City is well below the appropriations limit

Questions?