



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

Orange County
Audit for FY 2007-2008

SAS 114 Communication

The VTD Partner Team

Kevin Pulliam, CPA

Audit Partner

Roger Alfaro, CPA

Audit Partner

David Showalter, CPA

Audit Partner



Audit Scope

Perform the audits of the:

- Comprehensive Annual Financial Report (CAFR)
- Audit of Investment Trust Funds
- Pension and Other Postemployment Benefits Trust Funds
- OMB A-133 Single Audit
- Audit of the California Governor's Office of Emergency Services, Criminal Justice Program
- Agreed upon procedures for Section 8 Cluster to HUD

Audit Scope

Perform the audits of the:

- John Wayne Airport
- John Wayne Airport Passenger Facility Charge Revenue
- Integrated Waste Management Department
- Orange County Development Agency
- Orange County Special Financing Authority
- Agreed upon procedures for the Orange County Special Financing Authority
- Agreed upon procedures of Tobacco Settlement Revenue Funds

Our Responsibility Under GAAS

Our Responsibility under U.S. Generally Accepted Auditing Standards :

- Express opinions about whether the financial statements that have been prepared by management with the oversight of the County Board are presented fairly, in all material respects, in conformity with generally accepted accounting principles
 - Reasonable, not absolute assurance
- Consider internal control; no opinion will be expressed
- Express an opinion on compliance applicable to major federal programs (OMB A-133 Single Audit)

Our Responsibility Under GAAS

Our Responsibility under U.S. Generally Accepted Auditing Standards :

- Communicate other matters:
 - Qualitative aspects of accounting policies and accounting estimates and note disclosures
 - Difficulties encountered
 - Uncorrected misstatements
 - Material corrected misstatements
 - Disagreements with managements
 - Management representations
 - Consultations with other accountants

Planned Scope and Timing

Timeline:

- Planning and Interim Fieldwork – June-August 2008
- Final Fieldwork– August/December 2008
- Report Delivery – October 2008 – January 2009

Planning and Interim

Risk Assessment Phase/Interim Fieldwork:

- Meet with Management
- Identify audit risk areas
- Inspect financial and other information
- Consideration of Fraud (SAS 99) – Tone at the top, Risk Assessment

Interim

- Internal controls – design and implementation, or test
- Risk assessments
- Key business cycles
- Single Audit – preliminary planning

Year-End Fieldwork

Final:

- Perform substantive tests
- Determine the adequacy of the financial statements and disclosures
- Assessing accounting principles used and significant estimates
- Testing of major programs for the single audit

Exit

- Discuss audit adjustments
- Present findings and recommendations
- Provide required communications

Audit and Accounting Standards

- SAS 104-111 – Risk Assessment Standards

- Will require a more in-depth look at your internal controls over significant accounts and transactions
- Requires the auditor to assess the risk of misstatement at the assertion level
- A risk based approach to planning the audit will be required under the new auditing standards

- SAS No. 114, The Auditor's Communication With Those Charged With Governance (AICPA, Professional Standards, vol. 1, AU sec. 380)

- This standard requires that we communicate with those charged with governance regarding the planning and conclusion of the audit. This communication can be made to the governing body, or those delegated by the governing body to provide oversight of the audit.

Audit and Accounting Standards

Effective June 30, 2008

■ GOVERNMENTAL ACCOUNTING STANDARD No. 45

- In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement addresses how state and local governments should account for and report costs and obligations related to postemployment healthcare and other nonpension benefits. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The requirements of this Statement are effective:
 - Phase 1: For periods beginning after 12/15/06: FY 07-08
 - Phase 2: For periods beginning after 12/15/07: FY 08-09
 - Phase 3: For periods beginning after 12/15/08: FY 09-10

Audit and Accounting Standards

Effective June 30, 2008

■ **GOVERNMENTAL ACCOUNTING STANDARD No. 48**

- In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement is effective June 30, 2008.

■ **GOVERNMENTAL ACCOUNTING STANDARD No. 50**

- In May 2007, the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is effective June 30, 2008.

Audit and Accounting Standards

Effective subsequent to June 30, 2008

■ GOVERNMENTAL ACCOUNTING STANDARD No. 49

- In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Effective June 30, 2009.

■ GOVERNMENTAL ACCOUNTING STANDARD No. 51

- In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Effective June 30, 2010.

■ GOVERNMENTAL ACCOUNTING STANDARD No. 52

- In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. Effective June 30, 2009.

■ GOVERNMENTAL ACCOUNTING STANDARD No. 53

- In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Effective June 30, 2010

Other

■ Questions