



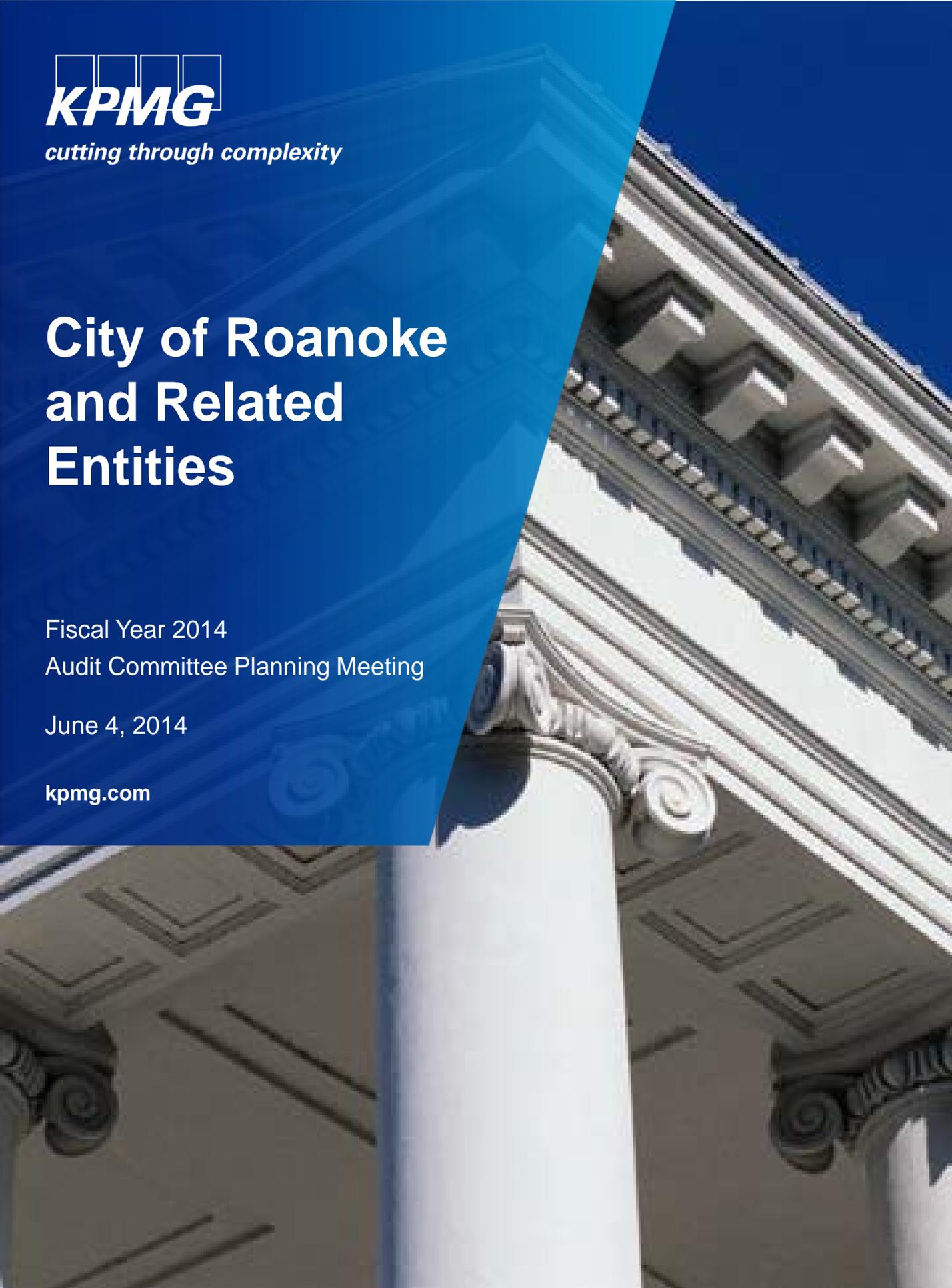
cutting through complexity

City of Roanoke and Related Entities

Fiscal Year 2014
Audit Committee Planning Meeting

June 4, 2014

kpmg.com



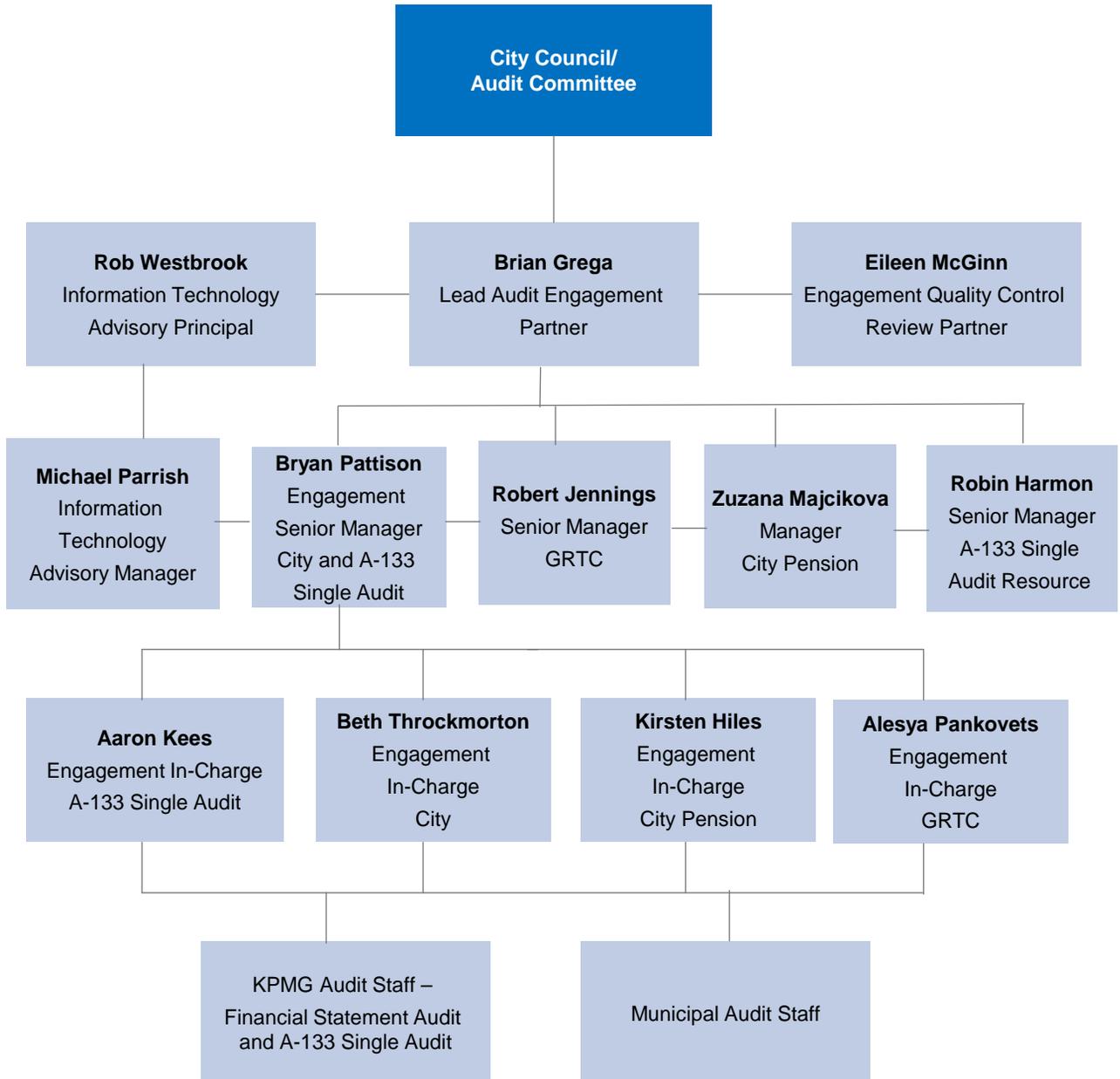
Planning meeting agenda

Audit Plan for the fiscal year ending June 30, 2014:

- Engagement team
- KPMG's audit responsibility
- Management responsibilities
- Entities subject to audit and reporting
- Engagement timetable
- KPMG's technology-enabled audit workflow
- New accounting pronouncements
- Significant audit areas
- A-133 Single audit
- Other planning matters

Engagement team

KPMG's Engagement Team for Fiscal Year 2014



KPMG's audit responsibility

Financial Statement Audit:

KPMG LLP (KPMG) will perform full scope audits in accordance with auditing standards generally accepted in the United States of America; Governmental Auditing Standards, issued by the Comptroller General of the United States; and *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (APA), where applicable, of the following entities' financial statements and notes to the financial statements for the fiscal year ending June 30, 2014:

- City of Roanoke, Virginia (City)
- City of Roanoke Pension Plan (Pension Plan)
- Greater Roanoke Transit Company (Transit Operations or GRTC)

(Note: Hereinafter all these entities will be referred to as the "City" except as otherwise noted)

Our responsibility under professional standards is to form and express opinions on the financial statements of the City, which have been prepared by management with the oversight of the Audit Committee, based on the following:

- Obtaining reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
- Considering internal control over financial reporting as a basis for designing our auditing procedures, not to express an opinion on the effectiveness of internal control.
- Determining whether the financial statements are fairly presented, in all material respects, in accordance with U.S. GAAP.

OMB Circular A-133 Audit (Single Audit)

- We will also perform audit procedures with respect to the City's major federal programs in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133) for the fiscal year ending June 30, 2014.

KPMG's audit responsibility, continued

Our Responsibility to Communicate with Those Charged with Governance

- We will communicate, in writing, material weaknesses or significant deficiencies to the audit committee to the extent they come to our attention.
- We will report to the audit committee, in writing, the following matters:
 - Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.
 - Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinion in the auditors' report, and the effect of uncorrected misstatements related to prior periods.
 - Significant difficulties and disagreements with management, if any, encountered during our audit.
 - Other matters required to be communicated by auditing standards generally accepted in the United States of America.

Management responsibilities

- Responsible for the preparation and fair presentation, in accordance with U.S. GAAP, of the financial statements and all representations contained therein.
- Responsible for compliance with laws and regulations applicable to the City's activities, and for informing us of any known material violations of such laws and regulations.
- Responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud.
- Responsible for informing us, of which it has knowledge, of all material weaknesses or significant deficiencies in the design or operation of such controls.
- Responsible for providing us with : i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audit; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- Responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon.

Entities subject to audit and reporting

The following deliverables are expected to be issued as a result of services provided to the City and its related entities:

City of Roanoke, Virginia

- Comprehensive Annual Financial Report, with Independent Auditors' Reports Thereon
- A "liftable" independent auditors' report on the financial statements of the City for use in any bond offerings
- Written communications of significant deficiencies or material weaknesses, if any, in accordance with AU-C Section 265 to be presented to management and the Audit Committee
- Written communications in accordance with AU-C Section 260 to be presented to the Audit Committee
- A Management Letter
- Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for the City
- Report on Applying Agreed-upon Procedures for Comparative Report Transmittal Forms

Greater Roanoke Transit Company (GRTC) – Transit Operations (discretely presented component unit)

- Financial Statements, with Independent Auditors' Reports thereon
- Written communications of significant deficiencies or material weaknesses, if any, in accordance with AU-C Section 265 to be presented to management and the Board of Directors
- Written communications in accordance with AU-C Section 260 to be presented to the Board of Directors
- A Management Letter

City of Roanoke Pension Plan

- Financial Statements, with Independent Auditors' Report thereon
- Written communications of significant deficiencies or material weaknesses, if any, in accordance with AU-C Section 265 to be presented to management and the Board of Trustees
- Written communications in accordance with AU-C Section 260 to be presented to the Board of Trustees

Entities subject to audit and reporting (continued)

School Board of the City of Roanoke (discretely presented component unit)

- Consistent with the prior fiscal years, the School Board's financial statements will be audited by other auditors as of and for the year ending June 30, 2014.
- Our opinions, insofar as they relate to the amounts audited by other auditors included for the School Board will be based solely on the report of the other auditors.

Civic Facilities Fund

- Consistent with the prior fiscal years, we will not audit certain operations of the Civic Facilities fund, a major enterprise fund included in the business-type activities of the City, as of and for the year ending June 30, 2014.
- Those operations will be audited by other auditors, and our opinions, insofar as they relate to the amounts audited by other auditors included for the Civic Facilities fund will be based solely on the report of the other auditors.

Engagement timetable

Planning, Interim Fieldwork, and KPMG Information Risk Management (IRM) Review of City Information Technology Controls

- April to July 2014

Single Audit Testwork and Reporting

- April to November 2014

Final Fieldwork and Reporting

- August to late November 2014
- Report drafts reviewed in late October/early November 2014
- Final reports and letters by end of November 2014

Graphically, our scheduled timeline for interim, single audit and final procedures is as follows:

	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
City of Roanoke and City of Roanoke Pension Plan									
Planning and Interim	←————→								
Single Audit	←————→								
Final audit procedures and reporting							←————→		
Present reports to the Audit Committee									●
Greater Roanoke Transit Company									
Planning and Interim			←————→						
Single Audit			←————→						
Final audit procedures and reporting					←————→				
Present reports to the Board of Directors								●	

Key:

- Planning and interim procedures
- Single Audit
- Final procedures and reporting phases

We have scheduled our audit staffing to be in a position to present any proposed audit adjustments for the City by late October/early November. We understand that the goal of the City's Department of Finance is for the City's and City Pension's Comprehensive Annual Financial Reports (CAFRs) to be issued on or before November 30 and for the Transit Company's audited financial statements to be issued on or before October 31.

KPMG's technology-enabled audit workflow

“eAudit” is a global electronic audit management tool created by KPMG International for its member firms to provide the methodology, guidance, and industry knowledge needed to perform a high-quality and efficient audit of financial statements. A distinct combination of experience and progression, eAudit enables KPMG member firms to deliver an efficient audit process for our clients.

Our Audit workflow is comprised of four principal phases—engagement setup, risk assessment, testing, and completion—as illustrated and described below.



Audit quality is our top priority.

New accounting pronouncements

We would like to remind you of the following new accounting pronouncements required to be adopted by the City and related entities in fiscal year 2014:

GASB Statement No. 65

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB Statement No. 65). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62* (GASB Statement No. 66). The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 67

In June 2013, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25* (GASB Statement No. 67). The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

GASB Statement No. 70

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB Statement No. 70). Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

Significant audit areas

City of Roanoke

- Revenue generation and collection
- Bond Offerings, Budgetary, Treasury
- Service Delivery and Procurement
- Human Resources and Payroll
- Single Audit Testwork
- Auditor of Public Accounts Testwork
- Information Technology
- Adoption of GASB Statements No. 65, 66, 67 and 70 in FY 2014

Greater Roanoke Transit Company – Transit Operations

- Capital Acquisitions
- Purchasing and Procurement
- Passenger Revenues
- FTA Grant Revenues and Expenditures
- Payroll and Related Employee Benefits

City of Roanoke Pension Plan

- Contributions
- Benefit payments
- Investments, including hard-to-value investments

A-133 Single audit

Single Audit – Five Step Approach

- Step 1: Obtain an Understanding
- Step 2: Document Our Understanding
- Step 3: Conclude on the Adequacy of the System Design
- Step 4: Test Established Controls
- Step 5: Test for Compliance with the Requirement

Anticipated Current Year Programs

- Federal Transit Capital and Operating Grants (GRTC)
- Temporary Assistance for Needy Families (TANF)
- Community Development Block Grant (CDBG)
- HOME Investment in Affordable Housing
- Social Services Block Grant
- Others - TBD

Other planning matters

Current Year Issues

- Annual Determination of Component Units
- Continued Impact of Economic Conditions

City of Roanoke, GRTC and City Pension Plan Audit Assistance

- Coordination of Schedules Prepared by Client (PBC's) and Audit Confirmation Letters
- Municipal Audit Department Assistance
- On-site System Access
- Timing of Schedule of Expenditures of Federal Awards (SEFA) Completion
- CAFR Review Process

Consideration of Fraud in the Audit

Materiality Considerations

Audit Committee Areas of Audit Emphasis

Other



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