



City of Sebastopol

Presentation to the City Council



Agenda

- Deliverables and Scope of the Audit
- Areas of Primary Audit Risk
- Auditor's Report
- Required Communications
- New Accounting Standards
- Conclusion & Discussion/Questions

Deliverables and Scope of the Audit

- Independent Auditor's Report on the City of Sebastopol's Basic Financial Statements (BFS).
- Independent Auditor's Reports on Internal Control Over Financial Reporting and on Compliance and Other Matters.
- Agreed-Upon Procedures on Appropriation Limit Schedule.
- Communications with Those Charged with Governance.
 - Letter used to summarize communication of various significant matters to those charged with governance.
- Annual Street Report to State Controller's Office.
- Annual Financial Transactions Reports to State Controller's Office for City.



Areas of Primary Audit Risk

The risk of management override of controls is addressed by the following procedures:

- Assignment of audit staff based on consideration of audit risk.
- Procedures to incorporate an element of unpredictability in the audit from period to period.
- Consideration of the selection and application of significant accounting principles.
- Examination of journal entries.
- Review of accounting estimates for bias.
- Evaluation of business rationale for unusual transactions.
- Evaluation of the appropriateness of fraud-related inquiries performed.

Revenues & Receivables (Taxes, Grants, Notes, etc.) – Improper Revenue Recognitions:

- Governmental Funds: Confirm/validate property taxes, sales taxes, transient occupancy taxes, franchise taxes & other significant revenues/receivables.
- Enterprise Funds: Perform analytical procedures



Auditor's Report

Auditing Standards

- Audit performed in accordance with Generally Accepted Auditing Standards
- Audit performed in accordance with Government Auditing Standards

Unmodified opinion

- Financial statements are fairly presented in all material respects
- Significant accounting policies have been consistently applied
- Estimates are reasonable
- Disclosures are properly reflected in the financial statements

Required Communications

Auditor's Responsibilities

Opinion on whether financial statements are fairly stated in accordance with U.S. GAAP

Evaluate internal control over financial reporting including tone at the top

Evaluate compliance with laws, contracts, and grants.

Ensure financial statements are clear and transparent

Communicate with the governing body

Management's Responsibilities

Management is responsible for the financial statements

Establish and maintain internal control over financial reporting

Making all financial records available to us

Establish internal control to prevent and detect fraud

Inform us of all known and suspected fraud

Comply with laws and regulations

Take corrective action on audit findings



Required Communications

Independence

- It is our responsibility to maintain independence
- We will maintain our independence by strict adherence to the AICPA and the Board of Accountancy rules and regulations
- No services performed that could affect our independence other than preparing the financial statements.

Timing of the Audit

- Within the time frame communicated to the City in our engagement letters.

Significant Accounting Policies and Unusual Transactions

- The City adopted the following new pronouncements during the year:
 - GASB Statement No. 100 – Accounting Changes and Error Corrections



Required Communications

Management Judgment and Accounting Estimates

- Capital assets depreciation and useful life
- Pension and OPEB related estimates

Difficulties Encountered in Performing the Audit

- No difficulties encountered.

Significant Audit Adjustments and Unadjusted Differences

- Management has posted all proposed audit adjustments.

Deficiencies in Internal Control over Financial Reporting

- No material weaknesses identified during our audit.



New Accounting Standards

2025

- GASB Statement No. 101 – Compensated Absences
- GASB Statement No. 102 – Certain Risk Disclosures

2026

- GASB Statement No. 103 – Financial Reporting Model Improvements
- GASB Statement No. 104 – Disclosure of Certain Capital Assets



**Thank You for Allowing us to
Provide Audit Services to the
City of Sebastopol.**

