

Forvis Mazars Planning Communication to the Finance Committee

City of Norman, Oklahoma

June 30, 2026

Thank You for Selecting Forvis Mazars

We are grateful for the opportunity to serve City of Norman, Oklahoma and gain insight into your operations. This communication provides useful information relevant to your role as those charged with governance of the entity, including summarized information required by professional standards, such as the planned scope and timing of the audit.

Our goal is to establish a foundation for effective two-way communication throughout the audit. We are available at your convenience to discuss this information and answer questions as we begin our audit.

Contacts During the Engagement

We understand the appropriate person in the governance structure with whom to communicate is:

- Mayor Stephen Holman

Your audit leader for any questions or communications is:

- Joel Haaser | joel.haaser@us.forvismazars.com | 918.878.9103

Overview & Responsibilities

Matter	Description of Audit Area
Scope of Our Audit	We have been engaged to audit the financial statements and compliance with Federal awards of the City for the year ended June 30, 2026. Please refer to our contract dated May 13, 2026 for additional information and the terms of our engagement.
Audit Standards & Materiality	We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial statement audits contained in Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance). Those standards require that we plan and perform the audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud; and the audit of compliance with the types of compliance requirements described in the U.S. Office of Management and Budget <i>Compliance Supplement</i> that are applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred.



Matter	Description of Audit Area
	References to items that are material refer to misstatements, including omissions, that could, in our professional judgment, reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.
Our Responsibilities	We are responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
Your Responsibilities	Our audit of the financial statements does not relieve you or management of your responsibilities.
Distribution Restriction	This communication is intended solely for the information and use of the City's finance committee and City Council and, if appropriate, management of the entity and is not intended to be, and should not be, used by anyone other than these specified parties.

Other Information Accompanying the Audited Financial Statements

Management is responsible for the other information included in the Annual Comprehensive Financial Report (ACFR).

The other information comprises the information included in the ACFR but does not include the financial statements and our auditor's report thereon.

We will not subject such information to the auditing procedures applied in the audit of the financial statements and, accordingly, we will not express an opinion or provide any assurance on it. Our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or whether there is an indication that the other information appears to be materially misstated or misleading. We will respond appropriately when we identify material inconsistencies or when we otherwise become aware that information appears to be materially misstated.

In the event we issue a disclaimer of opinion on the financial statements, our auditor's report will not make any reference to the ACFR or to any procedures that may have been performed.

Drafts of the ACFR should be provided to us by November 12, 2026, in order to provide us with adequate time to read the documents for the purposes described above.

Planned Timing of the Engagement

We succeed in our engagements by collaborating with management through frequent communication. We require the assistance of management and staff to prepare supporting documents, schedules, and analysis and depend on those items to be ready no later than the dates that we mutually agree will meet your deadlines.

We expect to begin our audit on approximately August 31, 2026. We anticipate that our team will be performing activities, both on site and remotely during these dates. We anticipate being on site the weeks of October 19, 2026 through November 20, 2026.

Draft financial statements are expected to be ready by the end of November, and we will issue our report on approximately December 3, 2026.

Planned Audit Scope

We welcome any input you may have regarding the information discussed below. We also welcome any insight you have related to any other risk areas or other significant risk areas you believe warrant particular attention.

ASSURE: Technology Powered, Risk Based

Unlock deeper insights and operate with confidence.

Staying ahead of what's next is at the heart of our commitment to delivering a quality audit. ASSURE leverages advanced technology to combine tested, risk-focused methods with AI and data analytics. This integration streamlines audit workflows while empowering our professionals to focus on critical, judgment driven aspects of the audit.



Innovative

Agentic AI and intelligent workflows enhance our audit approach, resulting in a tailored audit.

Data Driven

Advanced analytics turn large datasets into actionable insights—identifying anomalies and prioritizing high risk areas.

Collaborative

Integrate communication and task management directly into workflows for clarity.

Secure

Robust protocols protect sensitive data across every step to build trust and maintain compliance.

Extent of Testing

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Establishing Our Understanding

An audit also includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

Communicating Deficiencies or Significant Matters

An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate internal control-related matters that are required to be communicated under professional standards.

We will also communicate significant matters arising during the audit of the financial statements that are relevant to you in overseeing the financial reporting process as required by professional standards.

Significant Risks of Material Misstatement

We have preliminarily identified the following areas of significant risks of material misstatement due to error or fraud and of material noncompliance and propose to address these areas as described:

Risk Area(s)	Audit Approach
Risk of management override of controls	Review accounting estimates for bias, review journal entries, and evaluate business rationale for unusual transactions
Improper revenue recognition	Confirm the entity's main sources of revenue and perform substantive procedures on material utility and grant receivable accounts
Estimates of accrued liabilities	Review methodologies for significant estimates, compare prior year estimates to actual results, and review subsequent payments made

Other Procedures to Be Performed

We may also request written representations from the entity's attorneys as part of the engagement, and they may bill the entity for responding to this inquiry.

At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

We may identify additional significant risks as we complete our procedures.

Adoption of New Accounting Standards

The entity must adopt Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, and GASB Statement No. 104, *Disclosure of Certain Capital Assets*, as of July 1, 2025. Implementation of these standards include selection of a transition method for the entity and adoption of new policies. In addition, implementation of these standards may affect internal controls over financial reporting. We encourage you to communicate with management regularly regarding the policy elections made, recognition of new financial statement amounts, and disclosures upon transition.

Consideration of Error or Fraud

One of the most common questions we receive from governing bodies is, "How do you address fraud in a financial statement audit?" Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in auditing standards generally accepted in the United States of America.

Our audit approach includes such procedures as:

- Engagement team brainstorming
- Inquiries of management and others
- Reviewing accounting estimates for bias

Attachments

Appendix A – Summary of Recently Issued GASB Statements & Bulletins

Appendix B – Summary of Recently Issued Auditing Standards



Appendix A

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GASB Statement No. 103, *Financial Reporting Model Improvements*

The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. GASB No. 103 Statement also addresses certain application issues to the following items:

- Management's discussion and analysis
- Unusual or infrequent items
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- Major component unit information
- Budgetary comparison information

The requirements of GASB Statement No. 103 are effective for fiscal years beginning after June 15, 2025 and all reporting periods thereafter (effective for the entity's June 30, 2026 year-end).

GASB Statement No. 104, *Disclosure of Certain Capital Assets*

State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of GASB Statement No. 104 is to provide users of government financial statements with essential information about certain types of capital assets.

GASB Statement No. 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, GASB Statement No. 104 requires intangible assets other than those three types to be disclosed separately by major class.

GASB Statement No. 104 also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. GASB Statement No. 104 requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of GASB Statement No. 104 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter (effective for the entity's June 30, 2026 year-end).

GASB Statement No. 105, *Subsequent Events*

The primary objective of GASB Statement No. 105 is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. GASB Statement No. 105 defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. GASB Statement No. 105 describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. GASB Statement No. 105 also requires the date through which subsequent events have been evaluated to be disclosed. GASB Statement No. 105 clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of GASB Statement No. 105 are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter (effective for the entity's June 30, 2027 year-end). Earlier application is encouraged.



Appendix B

Summary of Recently Issued Auditing Standards

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Statement on Auditing Standards (SAS) No. 146, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*, & Statement on Quality Management Standards (SQMS) No. 1, *A Firm's System of Quality Management*, & SQMS No. 2, *Engagement Quality Review*

The ASB has issued the following quality management (QM) standards (collectively, the QM standards):

- SQMS No. 1, *A Firm's System of Quality Management*
- SQMS No. 2, *Engagement Quality Reviews*
- SAS No. 146, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*
- Statement on Standards for Accounting and Review Services (SSARS) No. 26, *Quality Management for an Engagement Conducted in Accordance With Statements on Standards for Accounting and Review Services*

SQMS No.1 supersedes Statement on Quality Control Standards (SQCS) No. 8, *A Firm's System of Quality Control* (QC Section 10), and SAS No. 146 supersedes SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended, Section 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards* (AU-C Section 220).

The biggest change reflected in the new QM standards is the introduction of a risk-based approach to achieving quality objectives, which helps firms identify and address risks specific to their practice and creates a more scalable approach to quality for all firms.

The QM standards, among other things, do the following:

- Increase firm leadership responsibilities and accountability and improve firm governance
- Introduce a risk-based approach focused on achieving quality objectives
- Address technology, networks, and the use of external service providers
- Increase focus on the continual flow of information and appropriate communication, internally and externally
- Promote proactive monitoring of quality management systems and timely and effective remediation of deficiencies
- Clarify and strengthen requirements for a more robust engagement quality review (EQR)
- Enhance the engagement partner's (EP) responsibility for audit engagement leadership and audit quality

Systems of quality management in compliance with SQMS No. 1 are required to be designed and implemented by December 15, 2025, and the evaluation of such is required to be performed within one year following December 15, 2025.

SQMS No. 2 is effective for:

- Audits or reviews of financial statements for periods beginning on or after December 15, 2025, and
- other engagements in the firm's accounting and auditing practice beginning on or after December 15, 2025. An engagement in the firm's accounting and auditing practice begins when an engagement letter or other agreement to perform attest services is signed, or when the firm begins to perform the engagement — whichever is earlier.

SAS No. 146 is effective for engagements conducted in accordance with generally accepted auditing standards for periods beginning on or after December 15, 2025.

SAS No. 149, Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors) & SQMS No. 3, Amendments to QM Sections 10

The ASB has issued SAS No. 149, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors)*.

SAS No. 149 supersedes SAS No. 122, *Statement on Auditing Standards: Clarification and Recodification*, as amended, Section 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* (AU-C Section 600).

The most significant change introduced by SAS No. 149 is that it provides a risk-based approach to planning and performing a group audit. Extant AU-C Section 600 focused on the identification of significant components at which to perform audit work. In SAS No. 149, the group auditor uses professional judgment in determining the components at which to perform procedures that respond to assessed risks. SAS No. 149 also better aligns the standard with other recently issued SASs and clarifies the interaction between the SAS and other AU-C sections.

The ASB has also issued SQMS No. 3, *Amendments to QM Sections 10, A Firm's System of Quality Management, and 20, Engagement Quality Reviews*. The amendments to QM Sections 10 and 20 conform certain terms to language used in SAS No. 149 and provide guidance on differentiating between a resource and an information source.

SAS No. 149 is effective for audits of group financial statements for periods ending on or after December 15, 2026.

SQMS No. 3 is effective concurrently with the effective dates provided in QM Sections 10 and 20.

SAS No. 150, External Confirmations

The ASB has issued SAS No. 150, *External Confirmations*

The most significant change introduced by SAS No. 150 is a new requirement for the auditor to perform external confirmation procedures for cash and cash equivalents held by third parties (cash) to respond to the assessed risks of material misstatement unless certain conditions exist. Within the language of the new requirement, SAS No. 150 acknowledges direct access to information maintained by a knowledgeable external source as way to satisfy requirements related to external confirmation procedures and provides related guidance. SAS No. 150 also includes amendments to reflect the increasingly widespread use of intermediaries in external confirmation procedures. SAS No. 150 requires certain new conditions to be met when using negative confirmation requests to address an assessed risk of material misstatement at the assertion level.

SAS No. 150 is effective for audits of financial statements for periods ending on or after December 15, 2028.

SAS No. 151, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

SAS No. 151 supersedes SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended (Section 240, *Consideration of Fraud in a Financial Statement Audit*), and amends several other standards. The new standard helps auditors more clearly understand their role in assessing risks of material misstatement due to fraud and their response when fraud or suspected fraud is identified in a financial statement audit.

SAS No. 151 strengthens audit procedures related to fraud while reinforcing that management and those responsible for governance of an entity remain primarily responsible for preventing and detecting fraud. The standard does not change the definition of fraud, nor does it change the auditor's overall objective of obtaining reasonable assurance that financial statements are free of material misstatement due to fraud or error. However, it adds more specific requirements designed to enhance auditor skepticism, fraud risk assessment, documentation, communication, and responses when fraud is identified or suspected.

SAS No. 151's major changes include:

- Enhancing the auditor's risk identification and assessment process as it relates to fraud by providing a fraud lens when performing risk assessment procedures in accordance with AU-C Section 315.
- Requiring the auditor to understand the entity's whistleblower program (or other program to report fraud), if the entity has such a program, including how management and, if applicable, those charged with governance address allegations of fraud made through the program.
- Additional requirements governing how auditors respond when fraud or suspected fraud is identified, and more extensive requirements regarding communications with management and those charged with governance.
- Leaves unchanged the presumption that fraud risks exist in revenue recognition, and requires auditors to determine which types of revenue transactions, or relevant assertions give rise to such risks.

SAS No. 151 is effective for audits of financial statements for periods ending on or after December 15, 2028, although firms can implement it early.