

*Presentation to
City Council
The City of Hampton, Virginia*

December 09, 2015



Table of Contents

- ▶ Engagement Summary
- ▶ Overall Audit Results
- ▶ Auditor's Required Communications with Those Charged with Governance
- ▶ Significant Future Accounting and Reporting Changes

Engagement Summary

- ▶ You have engaged us to provide the following:
 - Audit of the City's, School Board's and Economic Development Authority's FY 2015 financial statements
 - Audit of the City's major federal programs required by OMB Circular A-133
 - Audit of the City's compliance with the laws, regulations, grants, and other agreements, including the City's compliance with the Auditor of Public Accounts' *Specifications for Audits of Counties, Cities and Towns*

Overall Audit Results

- ▶ Our opinions on the 2015 financial statements were unmodified or “clean” opinions.
- ▶ Internal control deficiencies over financial reporting
 - ▶ One significant deficiency in internal controls included in the schedule of findings and questioned costs.
- ▶ Instances of noncompliance:
 - ▶ Four instances of noncompliance identified in the schedule of findings and questioned costs.

Auditor's Required Communications

▶ Accounting Policies

- Adoption of new accounting policies effective July 1, 2014
 - GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
 - GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*
- Change in accounting policies
 - The application of existing policies was not changed during 2015.

▶ Management Judgment and Accounting Estimates

- Allowance for Doubtful Accounts and Taxes Receivable
- Depreciation Expense
- Pension Liability
- Other Postemployment Benefits Liability
- Self-Insurance Claims Liability

Auditor's Required Communications

- ▶ Audit Adjustments and Uncorrected Misstatements
 - Audit Adjustments:
 - City
 - Identified an overstatement in amortization expense due to a fairly recent change in accounting standards.
 - Uncorrected Misstatements:
 - None
- ▶ Disagreements with Management
 - There were no disagreements with management regarding accounting or auditing issues

Auditor's Required Communications

- ▶ Difficulties Encountered in Performing the Audit
 - We encountered no difficulties in performing the audit.
- ▶ Consultation with Other Accountants
 - We are not aware of any.
- ▶ Material Client Communications
 - Representation letter.
- ▶ Independence
 - We are not aware of any relationship that we believe, based on current authoritative guidance, would impair our independence.

Future Accounting and Reporting Changes

GASB statement effective for 2016:

- ▶ GASB Statement No. 72 – *Fair Value Measurement and Application*
 - Significantly changes fair value measurement and disclosures
 - Use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.
 - Established a hierarchy for measurement of assets or liabilities.
 - Level 1 – Quoted prices in active markets
 - Level 2 – Direct or indirect observations other than quoted prices
 - Level 3 – Unobservable inputs
- ▶ GASB Statement No. 77 – *Tax Abatement Disclosures*
 - The new standard will require detailed disclosure related to taxes that were abated during the year, including type of tax being abated, a description of abatements, amount of abatements, eligibility criteria, and provisions for recapturing abated taxes.

Future Accounting and Reporting Changes

GASB statements effective for FY 2018:

- ▶ *GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
 - Requires governments to report a liability on the face of the financial statements for OPEB obligations

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