

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

December 14, 2016



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# *Engagement Summary*

- ▶ You have engaged us to provide the following:
  - Audit of the City's, School Board's and Economic Development Authority's FY 2016 financial statements
  - Audit of the City's major federal programs required by the Uniform Guidance
  - 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 2016 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:
  - ▶ Three 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, 2015
    - GASB Statement No. 72 – *Fair Value Measurement and Application*
  - Change in accounting policies
    - The application of existing policies was not changed during 2016.
- ▶ 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 understatement of expenses due to higher thresholds used in the City's review process.
  - 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 2017:

- ▶ *GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
  - The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards or accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.
- ▶ *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

# *Contact Information*

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