

# City of Hartford June 30, 2018

Audit Presentation

**blum**  
shapiro

step forward →

# Agenda

- » Engagement Scope and Standards
- » Required Auditors' Communication
- » Results and Financial Highlights
  - CAFR
  - Federal and State Single Audit
  - Management Letter
- » Upcoming GASB Pronouncements

# Engagement Scope and Standards



## » CAFR

- Opinion on governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the comptroller general of the United States.

## » Federal Single Audit

- Uniform Guidance – Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

## » State Single Audit

- State Single Audit Act – CGS Sections 4-230 to 4-236

# Required Auditors' Communication



- » Significant Accounting policies described in Note 1 in the CAFR
- » New Standards Adopted:
  - GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions
  - GASB 81 Irrevocable Split Interest Agreements
  - GASB 85 Omnibus 2017

# Required Auditors' Communication



## Accounting Estimates:

- » Net Pension Liability
- » Net OPEB Liability
- » Useful Lives of Capital Assets
- » Estimate of Claims and Judgments:
  - » Workers compensation
  - » General liability
  - » Health
  - » Heart & Hypertension
- » Allowance for Doubtful Accounts
- » Loss Contingencies
- » Investments Measured at Fair Value not based on Market Prices

# Required Auditors' Communication

- » No difficulties encountered in performing the audit
- » No disagreements with management
- » No uncorrected misstatements
- » Management did not consult with other accountants
- » Representation Letter signed by management of the City and the Board of Education

# Engagement Results - CAFR



## » Responsibilities - Management

- preparation and fair presentation of the Financial Statements in accordance with US GAAP,
- design, implementation and maintenance of internal control so that financial statements that are free from material misstatement whether due to error or fraud.

## » Responsibilities - Auditor

- express opinions on the Financial Statements based on our audit,
- plan and perform our audit to provide reasonable assurance about whether the Financial Statements are free of material misstatement.

## » CAFR – Unmodified “clean” opinions

# Engagement Results - CAFR



## » Governmental Activities

- All government funds of the City aggregated on a full accrual basis
- Net Position increased. \$349.350 Million 2018, \$293.789 Million 2017
- Capital assets were consistent – approximately \$1.500 Billion, Debt decreased \$15.320 Million as a result of \$42 Million payments on bonds and capital leases offset by increases in pension and OPEB liabilities.

## » Business-Type Activities

- Enterprise Funds aggregated
- Net Position increased \$4.795M to 19.634M at June 30, 2018

## » Component Unit – Hartford Parking Authority

- Revenues and Expenses of \$8.816M

# Engagement Results - CAFR



## » General Fund

- Fund Balance – Total = \$4.884 Million, an increase of \$374K from 2017.
- Budgetary revenues came in \$31.308 Million greater than budget, and budgetary expenditures came in \$18.691 Million less than budget
- Tax collections were 97.82% for the current year grand list, compared to 98.10% in the prior year

# Engagement Results - CAFR



- » Capital Improvement Fund
  - Fund balance increased \$8.022 Million to \$654K at June 30, 2018
- » Community Development Loan and Grant Fund
  - Fund Balance increased \$623K to \$2.415 Million at June 30, 2018
- » Debt Service Fund
  - Fund Balance decreased \$25.263 Million to \$41.155 Million at June 30, 2018
- » Educational Grants Fund
  - Fund Balance increased \$3.073 Million to \$8.097 Million at June 30, 2018
- » Non Major Governmental Funds
  - Fund balance increased \$1.498 Million to \$39.899 Million at June 30, 2018

# Engagement Results - CAFR



## » Enterprise Funds

- Hartford Stadium Authority
  - Net Position increased \$508K to \$412K at June 30, 2018
- Hartford Parking Facilities
  - Net Position increased \$33K to \$15,236M at June 30, 2018
- Golf Course
  - Net Position increased \$4.254M to \$3.986M at June 30, 2018

# Engagement Results - CAFR



## » Internal Service Funds

- Workers' Compensation – Net Position increased \$800K to (\$20.356M) at June 30, 2018
- Liability and Property Damage – Net Position decreased \$1.049M to (\$5.520M) at June 30, 2018
- Metro Hartford Information Services – Net Position decreased \$352K to \$299K at June 30, 2018
- Retirees – Net Position decreased \$464K to \$0 at June 30, 2018
- Actives – Net Position decreased \$2.000M to \$2.406M at June 30, 2018
- VEBA – Net Position decreased \$174K to \$0 at June 30, 2018

# Engagement Results - CAFR



## » Pension Trust Fund

- Net Position increased \$3.118M to 1.044 Billion at June 30, 2018

## » OPEB Trust Fund

- Net Position increased \$2.982M to \$21.205M at June 30, 2018

## » Agency Funds

- Assets of \$912K

# Engagement Results - CAFR



## » Prior Period Adjustments and Restatements

- GASB 75 - Net Position restated by (\$308.650M) to 293.789M
- Reclassified the Special Activities Fund from the General Fund to the Nonmajor Governmental Funds
- See Note 16 from page 93 of the CAFR below:

### PRIOR PERIOD ADJUSTMENT AND RESTATEMENTS

The following restatements were recorded to the beginning net position/fund balance as a result of the following: Implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and the reclassification of a fund:

	<u>Government Activities</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>
Net position at June 30, 2017, as previously reported	\$ 602,439	\$ 5,093	\$ 37,818
Adjustment:			
Eliminate net OPEB obligation as reported per GASB No. 45	84,709		
Record net OPEB liability per GASB No. 75	(393,359)		
Reclassification of fund type	<u>                    </u>	<u>(583)</u>	<u>583</u>
Net Position at July 1, 2017, as Restated	<u>\$ 293,789</u>	<u>\$ 4,510</u>	<u>\$ 38,401</u>

# Engagement Results - CAFR



- » Pension Liability - \$428.860M
- » OPEB Liability - \$423.263M
- » Teachers Pension and OPEB
  - Pension - \$528.969M – Page 73
  - OPEB - \$136.151M – Page 88

# Engagement Results – Federal and State Single Audit

## Federal Single Audit

- » Unmodified “clean” opinion on compliance
- » No material weaknesses identified
- » Program Tested:
  - » Section 8 Housing Choice Vouchers

## State Single Audit

- » Unmodified “clean” opinion on compliance
- » No material weaknesses identified
- » Programs Tested:
  - » Priority School Districts
  - » Magnet Schools
  - » Reimburse Towns – Tax Loss on State Property
  - » Debt Service Contract Assistance

## Yellow Book

- » Significant deficiency identified, Revenue Controls, Hartford Parking Authority

# Management Letter



- » Board of Education Financial Close Process
- » Documentation of Census Data and Employee Recordkeeping
- » Schedule of Federal Awards/Schedule of State Financial Assistance
- » Information Technology Controls

# Upcoming GASB Standards



## » 2019

- Statement 83 – Certain asset retirement obligations
- Statement 88 – Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements

## » 2020

- Statement 84 – Fiduciary activities

## » 2021

- Statement 87 – Leases
- Statement 89 – Accounting for Interest Cost before the End of a Construction Period