Presentation to:
Prince William County Public Schools

February 15, 2017
Dear School Board Members:

We have audited the financial statements of the Prince William County Schools (“PWCS”) as of and for the year ended June 30, 2016 and have issued our reports on December 8, 2016.

As required by auditing standards generally accepted in the United States of America, we are providing you with the information shown in this presentation relative to the conduct of our audit. Such information is intended for the use of management, the Board and the Audit Committee and should not be used for any other information or purposes.

CHERRY BEKAERT LLP
Inclusion in the School CAFR
Inclusion in the County CAFR

Prince William County Public Schools

Student Activity Funds (Agency Fund)*

The Education Foundation for Prince William County Public Schools (Discretely Presented Component Unit)*

* Audited by other auditors
Engagement Services
## Engagement Services

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<td>• MOU on PWCS disbursement process</td>
<td>• Census Data Submitted to the VRS</td>
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<td>• Governmental Auditing Standards</td>
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Service Deliverables
Service Deliverables

- **Audit Deliverables:**
  - As of and for the fiscal year ending June 30, 2016:

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<td>• The Education Foundation for Prince William County Public Schools</td>
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Audit Deliverables:

As of and for the fiscal year ending June 30, 2016:

**Government Auditing Standards**

**Internal Control over Financial Reporting and Compliance**

- Consider internal control over financial reporting for the purposes of expressing our opinions on the financial statements and not to provide assurance on these internal controls.
- Perform test of compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

**Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)**

**Internal Control over Compliance and Compliance**

- Consider internal control over compliance for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance.
- Examine compliance with Title 2 U.S. Code of Federal Regulations Part 200 for purpose of expressing an opinion but will not provide a legal determination on compliance.
- Management is responsible for preparing a summary schedule of prior audit findings and a corrective action plan.
Audit and Accounting Deliverables:

- Report on compliance with the Auditor of Public Accounts’ (APA) Specifications for Audits of Counties, Cities and Towns
- Other services:
  - MOU on PWCS disbursement process
  - Report on examination of management's assertion on census data submitted to VRS

Our audit of the financial statements does not relieve you or management of your responsibilities.
Audit Results
Audit Results

Audits
- Our opinion on the 2016 financial statements is unmodified or a “clean” opinion

Internal Controls
- During our testing on controls over payroll, we noted four instances in which an employee’s supervisor did not review the employees time card. We consider this control deficiency to be a material weakness.

Compliance
- No instances of noncompliance were noted
Required Communications
Required Communications

Accounting Policies

• Adoption of new accounting policies –
  • GASB Statement No. 72 Fair Value Measurement and Application
  • GASB Statement No. 76 Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
  • GASB Statement No. 79 Certain External Investment Pools and Pool Participants
• Change in accounting policies - the application of existing policies was not changed during 2016
• Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Management Judgement and Accounting Estimates

• Allowance for Doubtful Accounts and Accounts Receivable
• Pension, Other Postemployment Benefits, Health Credit liabilities
• Risk management claims liabilities
• Incurred But Not Reported Liabilities
• Capital Asset useful lives
• Pollution remediation liabilities
Required Communications

Audit Adjustments and Uncorrected Misstatements

- We identified one construction invoice improperly excluded from construction in progress and accounts payable. Management recorded one audit adjustment to increase construction in progress and accounts payable $652,512.

Disagreements with Management

- There were no disagreements with management regarding accounting or auditing issues

Difficulties Encountered in Performing the Audit

- We encountered no difficulties in performing the audit
Required Communications

Consultation with Other Accountants

• We are not aware of any such consultations

Material Client Communications

• We received representation from School Management on December 8, 2016
• We issued a Management Letter for the Schools on December 8, 2016

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
Future Accounting and Reporting Changes

GASB statements effective for FY 2017:

- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68
  - Establishes requirements for defined-benefit pensions and defined-contribution pensions not administered through a trust meeting specified criteria, i.e., those not covered by Statements 67 and 68.
- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
  - Covers reporting by OPEB plans that administer benefits on behalf of governments
- GASB Statement No. 77 – Tax Abatement Disclosures
  - Disclosure guidance for governments that have granted tax abatements (an agreement between a government and a taxpayer in which the government promises to forgo tax revenues and the taxpayer promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens).
### Future Accounting and Reporting Changes

<table>
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<tr>
<th><strong>Exposure Drafts</strong></th>
<th>Based on the foundational principle that all leases are financings of the right to use an underlying asset; use of operating lease accounting would cease</th>
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<td>(Final completion expected: January 2017)</td>
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<tr>
<th><strong>Future Projects</strong></th>
<th>Financial Reporting Model (ED expected: March 2019)</th>
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<tr>
<td></td>
<td>Reexamine GASB Statement No. 34 financial reporting model</td>
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<tr>
<th><strong>Practice Issues &amp; Pre-Agenda</strong></th>
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<td>Debt Disclosures – Reexamination of GASB 34, 38, and 62</td>
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<td>Economic Conditions Reporting</td>
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Your Guide Forward

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