

# City of Keller

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City Council Meeting

April 5, 2022



# Overview

- Introduction
- Audit Process
- Required Communications
- Audit Results
- Financial Highlights
- New Accounting Pronouncements
- Questions

# Introductions



Weaver**Views**

We know your questions don't end when the audit does, so the team leadership remains available to you throughout the year.

**John DeBurro**

Partner,  
Assurance Services

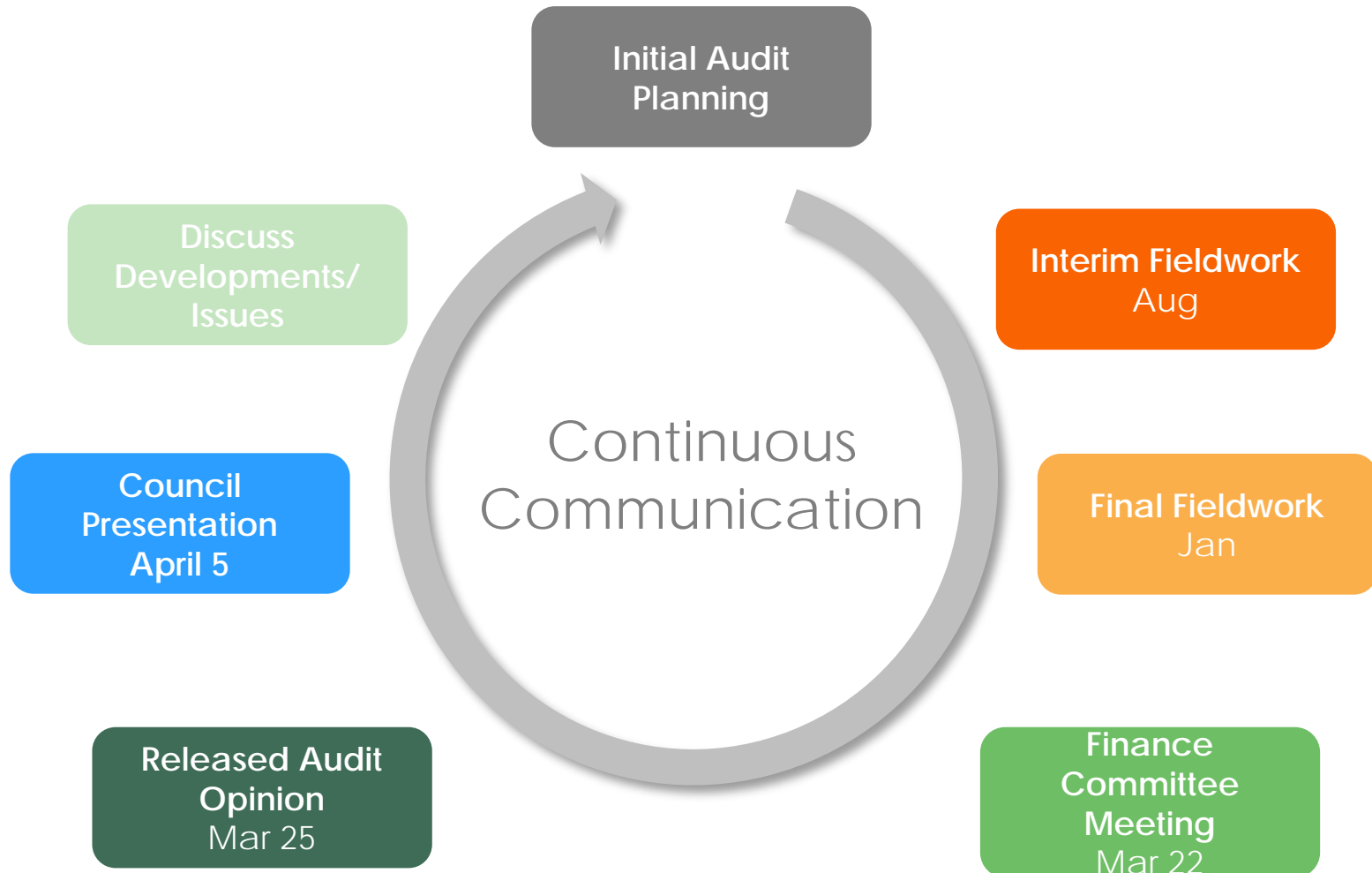
**Justine Singletary**

Manager,  
Assurance Services

# Audit Process



# Engagement Timeline



# Audit Process

- The audit was performed in accordance with **Generally Accepted Auditing Standards (GAAS)** and **Generally Accepted Government Auditing Standards (GAGAS)**
- The audit process was a **risk-based approach** in which we identified potential areas of risk that could lead to material misstatement of the financial statements. We tailored our audit programs and resources to specifically address the following areas of risk:
  - Revenue recognition and related receivables
  - Capital projects, purchasing and compliance with bidding procedures
  - Payables, accrued liabilities, and expenditures
  - Effects of COVID-19 on expectations



Interim fieldwork and risk assessment were performed in August 2021. Procedures included:

- **Walkthrough** of accounting controls over significant transaction cycles:
  - Purchasing and accounts payable
  - Payroll, including TMRS data
  - Cash receipts – taxes, court, rec. center, permits, utility billing, etc
  - Capital assets
- **Test** of internal controls:
  - Cash disbursements
  - Payroll
- **Test** of compliance:
  - Public Funds Investment Act
  - Bidding procedures
- **Test** of capital projects: construction-in-progress



## Final fieldwork- performed in January 2022 Procedures included:

- Testing of significant account balances using a combination of **procedures** such as:
  - Vouching of material transactions,
  - Sampling transactions and
  - Applying analytical procedures
- Testing of **significant estimates**
- Testing of **utility bill recalculations**
- **Assisting** with the preparation of the financial statements.
- **No Single Audit** was required this year

A black and white photograph of a stack of books, viewed from a low angle. A thick, dark green brushstroke is painted across the top half of the image, partially covering the books. The text is overlaid on this green area.

# Auditor Communications

for the year ended September 30, 2021

Weaver**Views**

# Required Communications to Those in Charge of Governance



## Communication

Auditor's responsibility under generally accepted auditing standards (GAAS)

## Results

The financial statements are the responsibility of the City. Our audit was designed in accordance with GAAS in the U.S. and provides for reasonable rather than absolute assurance that the financial statements are free of material misstatement. Our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

The audit of the fiscal year 2021 financial statements has been completed and we issued **an unmodified opinion**.

# Required Communications to Those in Charge of Governance



## Communication

Auditor's Responsibility under Government Auditing Standards

## Results

In addition to the GAAS responsibilities, we are required to issue a written report on our consideration of internal controls and identify significant deficiencies, including material weaknesses, if any. Our report does not provide assurance on internal controls. We design our audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct or material effect on the financial statements. We issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.

**No findings noted.**

# Required Communications to Those in Charge of Governance



Communication	Results
Fraud and illegal acts	No fraud, irregularities, or illegal acts were noted.
Other information contained in documents containing audited financial statements	We provided an “in-relation to” opinion on supplementary information accompanying the financial statements. We performed limited procedures on the Management’s Discussion and Analysis (MD&A) and Required Supplementary Information (RSI). We did not provide any assurance on this information. The introductory and statistical sections were both unaudited.
Unusual transactions and the adoption of new accounting principles	<p>The significant accounting policies used by the City are described in Note 1 to the basic financial statements.</p> <p>There were no new GASB pronouncements implemented by the City during fiscal year 2021 that had a significant impact on the City’s financial statements.</p> <p>We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.</p>

# Required Communications to Those in Charge of Governance



Communication	Results
Material weakness in internal control	No material weaknesses noted.
Management judgments and accounting estimates	Management's estimates of allowances for uncollectible receivables for property taxes and utility services; net pension and total OPEB liabilities; and estimated useful lives of capital assets were evaluated and determined to be reasonable in relation to the financial statements as a whole.
Management representations	We requested certain representations from management that were included in the management representation letter.

# Required Communications to Those in Charge of Governance



Communication	Results
Difficulties encountered	No difficulties or disagreements arose during the course of our audit.
Management consultations	We are not aware of management consulting with other accountants for a second opinion.
Auditor independence	No independence issues noted.
Audit adjustments	<p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were audit adjustments recorded to assist the City in updating the pension and OPEB balances.</p> <p>In addition, there were no uncorrected misstatements noted as a result of our audit procedures.</p>
Other material written communications between Weaver and Tidwell, L.L.P., and the City	Nothing to note.

# Audit Results



# Audit Results

- We have issued the Independent Auditor's Report on the financial statements
  - ✓ **Unmodified Opinion**
- We have issued the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
  - ✓ **No findings noted**

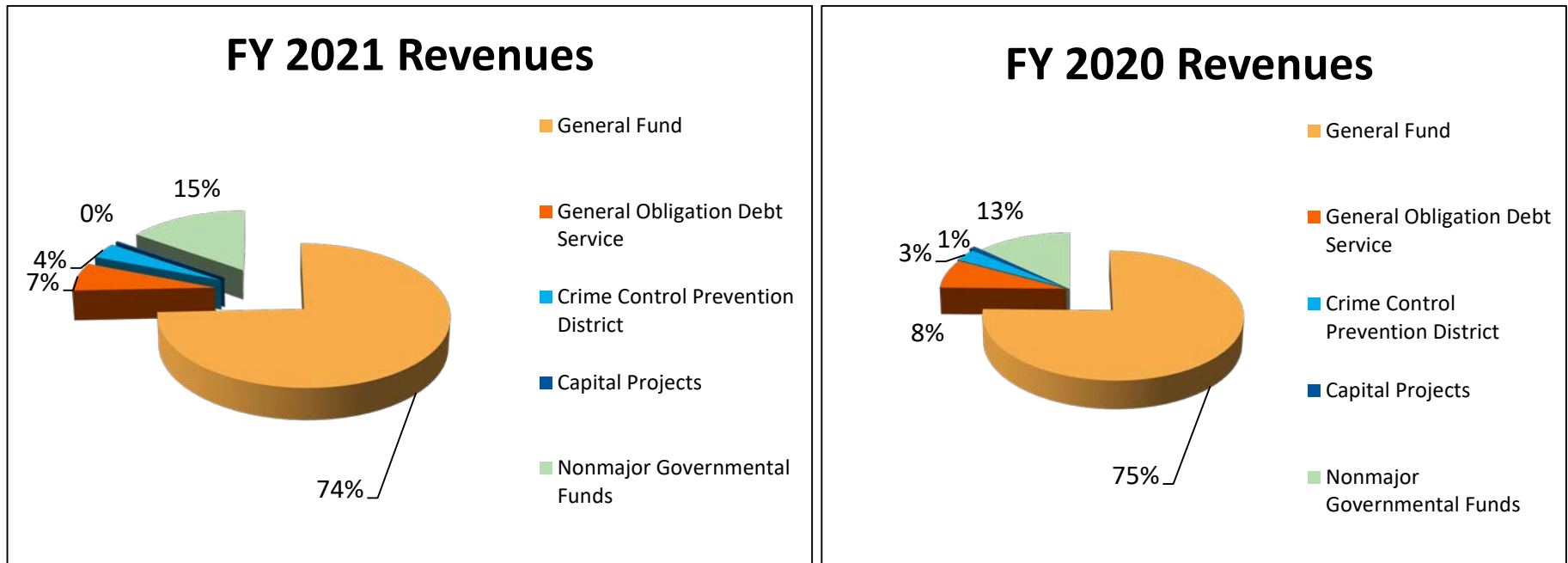
# Financial Highlights



# Financial Highlights

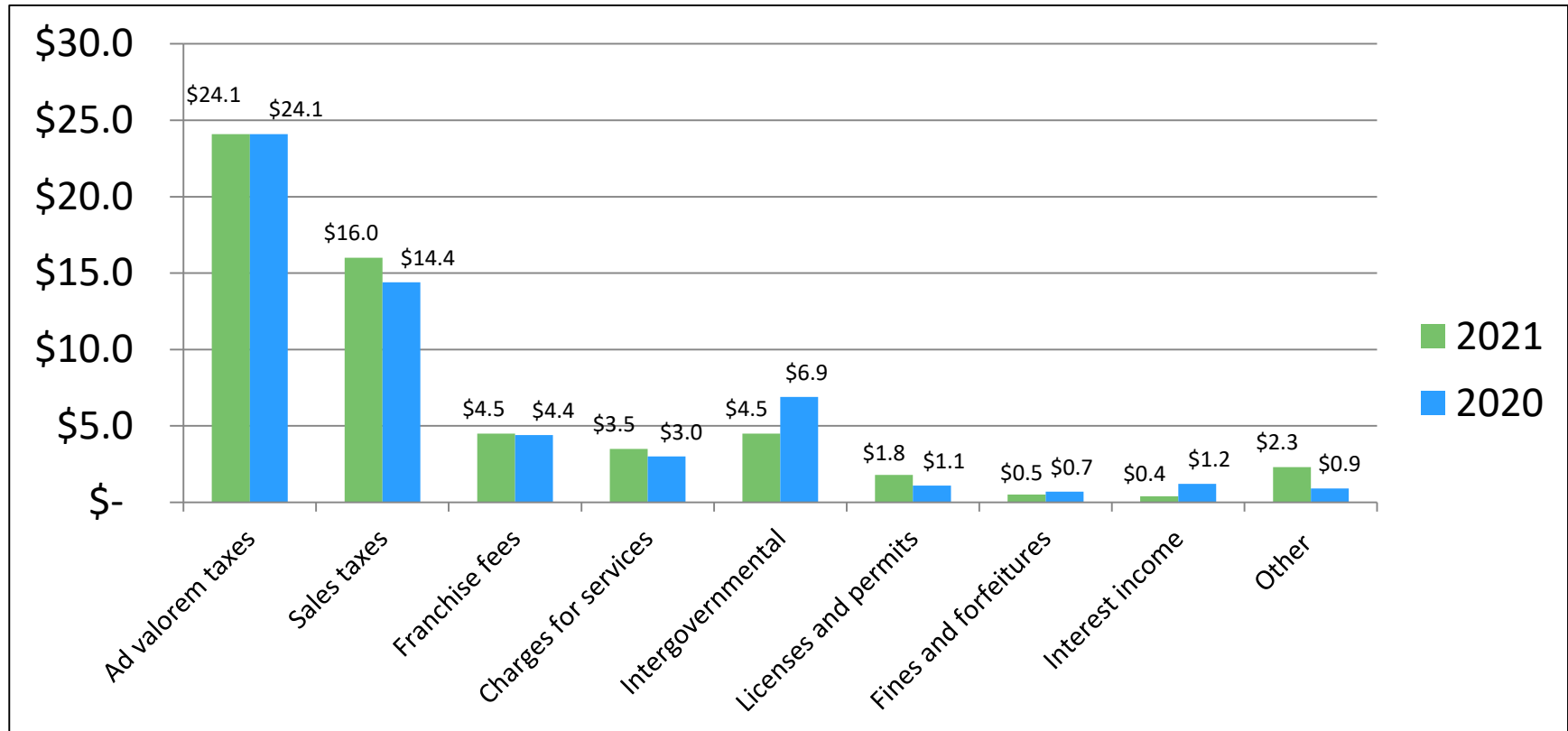
## Comparison of Governmental Revenues by Source

Governmental Revenues for FY 2021 totaled \$57.6 million, a \$0.9 million or 2% increase. The increase is primarily the net effect of a \$2.4 million decrease in intergovernmental revenue due to the CRF grant received in the prior year and current year increases in sales tax revenues (\$1.6 million) and impact fees (\$1.3 million).



# Financial Highlights

## Comparison of Governmental Revenues by Source

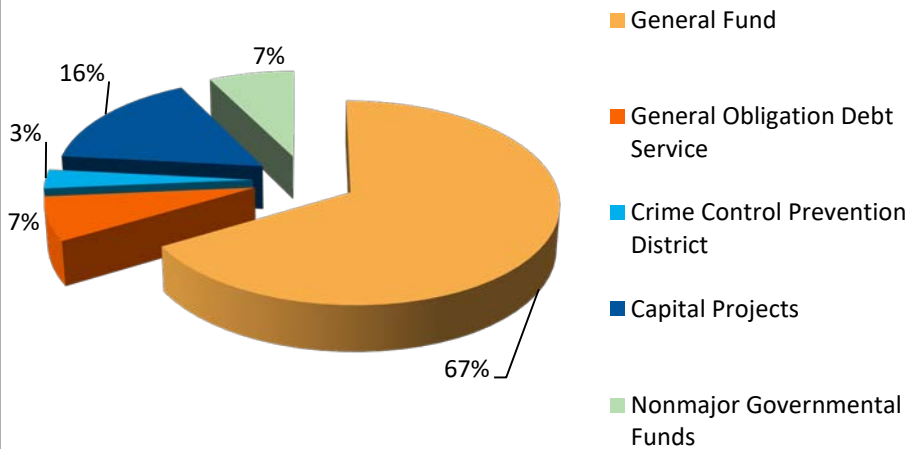


(2-year comparison – current year and prior year – in millions)

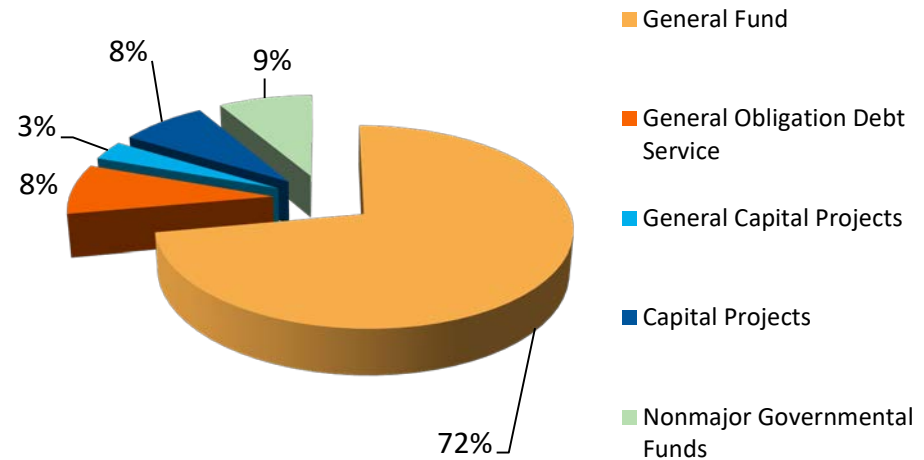
# Financial Highlights

## Comparison of Governmental Funds Expenditures by Fund

**FY 2021**



**FY 2020**



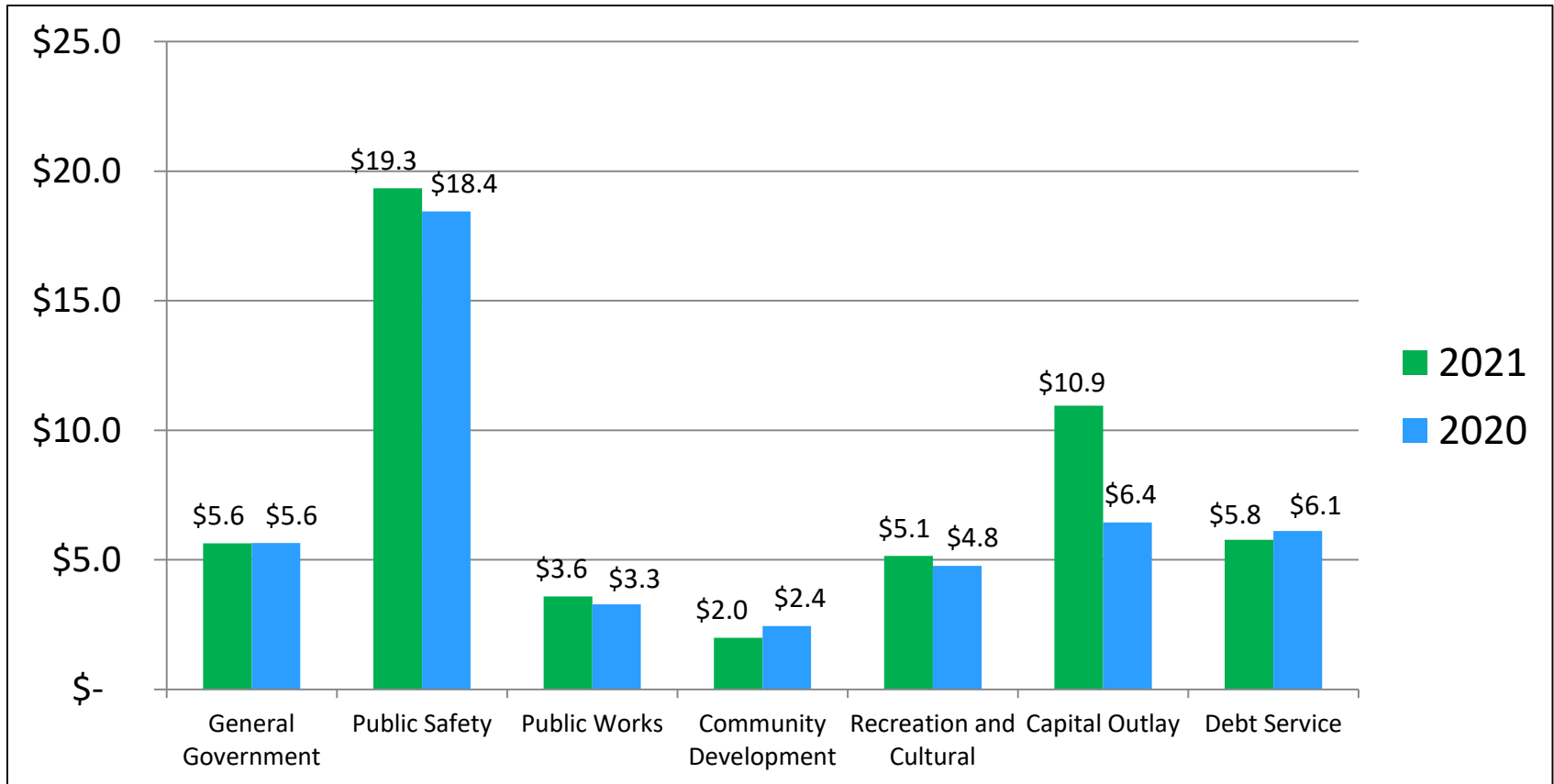
**Governmental Funds Expenditures for FY 2021 totaled \$52.3 million, an \$5.3 million or 11% increase**

This was primarily the result of:

- Capital outlay increase of \$4.5 million due to current year capital projects activity
- Public safety increase of \$0.9 million

# Financial Highlights

## Comparison of Governmental Funds Expenditures



(2-year comparison – current year and prior year – in millions)

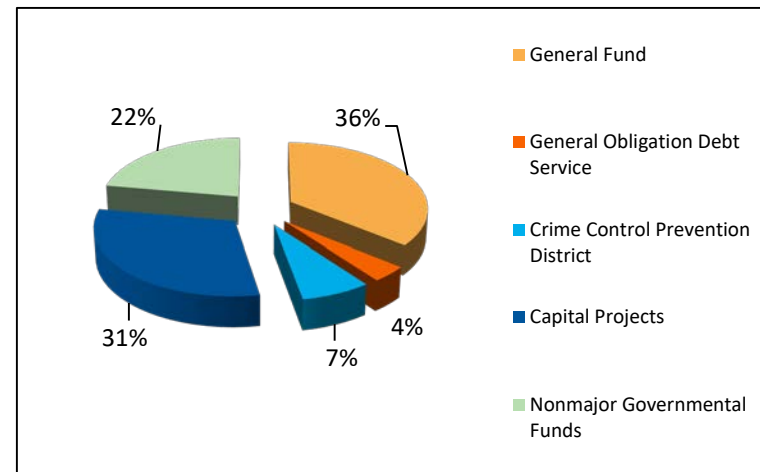
# Financial Highlights

## Fund Balances

### Governmental Funds' Fund Balances

As of September 30, 2021, the City's governmental funds reported a combined ending fund balance of \$87.8 million as follows:

• General Fund	\$31,536,571
• Debt Service	3,353,780
• CCPD	6,502,156
• Capital Projects	26,896,500
• Other Funds	<u>19,493,983</u>
	<u>\$87,782,990</u>



- Overall, fund balance of the Governmental Funds increased by \$4.4 million, due primarily to revenues in excess of expenditures by \$4.6 million in the General Fund.
- Unassigned fund balance in the General Fund (\$30.6 million) represents 88% of fiscal year 2021 General Fund expenditures.

## Budgetary Highlights – General Fund

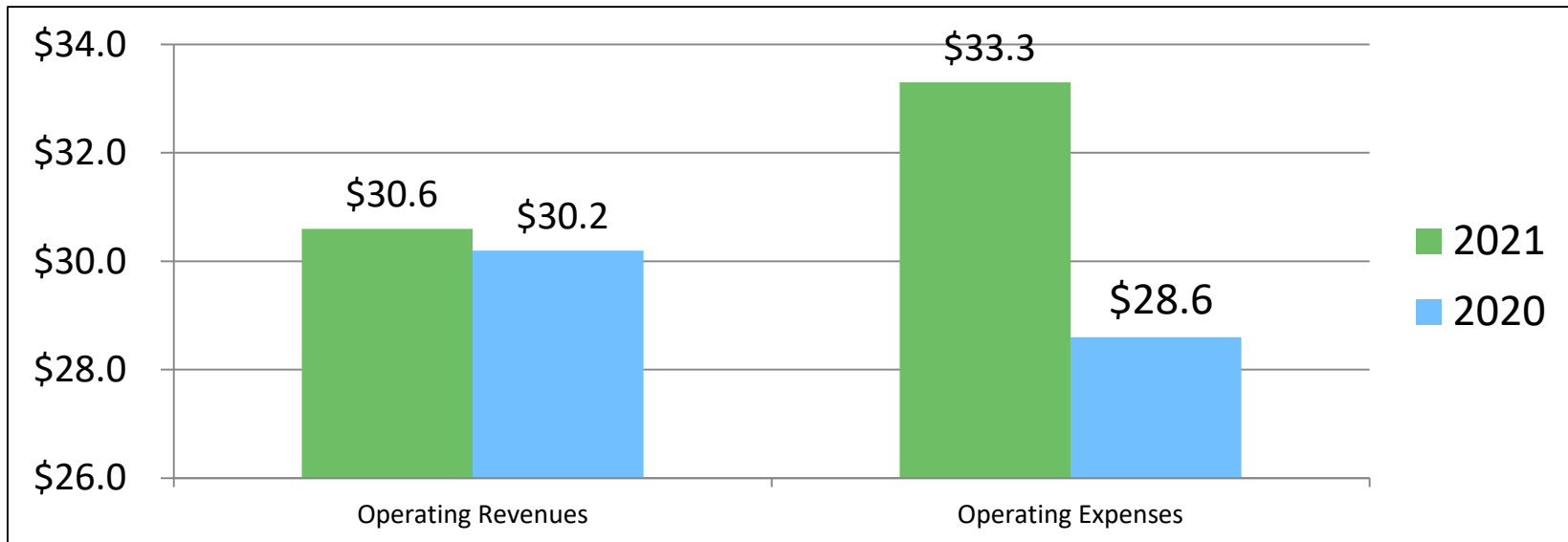
The City had a favorable budget variance of \$4.7 million (net change in fund balance) during fiscal year 2021:

- Actual revenues were \$3.0 million more than budgeted.
  - Sales tax revenues were \$1.6 million more than budgeted.
  - Licenses & permits was \$749K more than budgeted.
  - Intergovernmental revenue was \$615K more than budgeted.
- Actual expenditures were below budget by \$1.4 million, the result of cost savings in all departments.



# Financial Highlights

## Comparison of Enterprise Funds Operating Revenues and Expenses – FY 2021 and FY2020 (in millions)



- Enterprise Funds operating revenues were consistent with prior year.
- Operating expenses, however, increased by \$4.7 million, primarily due to a \$4.3 million increase in the Recreation/Aquatic Center, the result of increased depreciation of capital assets.
- Enterprise Funds' overall net position decreased by \$1.4 million, primarily the result of the increase in operating expenses.

# Upcoming Changes

## GASB 87:

Effective  
for periods  
beginning  
after  
12/15/2020  
(FY2022)

### *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

We appreciate the  
opportunity to work with  
**City of Keller**  
and look forward to our  
continued relationship.



# Discussion



## Contact Us

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