

City of Keller

Council Meeting

April 17, 2018



Overview

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



Introductions

Weaver**Views**

The Firm of Texas



Weaver is the largest independent accounting firm based in Texas and the Southwest. We've served Texas public sector entities for 67 years.

Headquartered In
Fort Worth
since 1950

9 U.S.
locations

Approximately
600
employees

80+
partners

Largest Independent
accounting firm based in the
Southwest



INSIDE Public Accounting
2015 BEST OF THE BEST FIRMS

INSIDE Public Accounting
2015 TOP 50 FIRMS

REGIONAL AND NATIONAL RANKINGS

Largest Firm based in the Southwest Region of the U.S. | *Accounting Today* (2016)

#4 National Leaders in Tax (firms under \$100M) | *Accounting Today* (2016)

Top 40 Firms | *INSIDE Public Accounting* (2016)

Top 40 Firms | *Accounting Today* (2017)

2015 BEST of the BEST Firm to Watch | *INSIDE Public Accounting*

#9 Largest Houston-Area Accounting Firms: Global Revenue | *Houston Business Journal* (2017)

#10 Largest North Texas Accounting Firms | *Dallas Business Journal* (2017)

#4 Largest Tarrant County Accounting Firms | *Fort Worth Business Press* (2016)

#10 Largest San Antonio Accounting Firms | *San Antonio Business Journal* (2017)

Best and Brightest Companies to Work For® | Dallas/Fort Worth (2016) and Houston (2015)

Engagement Leadership



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

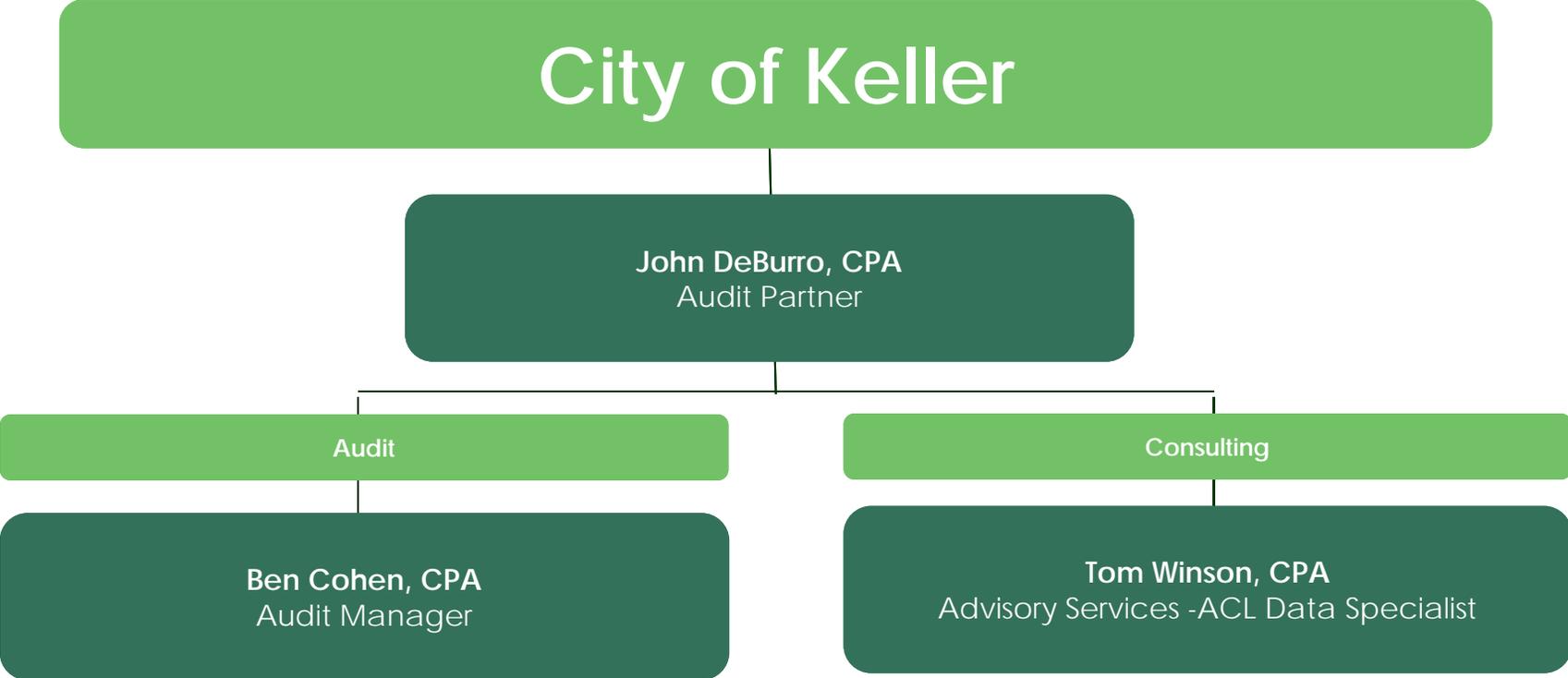
John DeBurro

Engagement Partner,
Assurance Services

Jerry Gaither

Technical Partner,
Assurance Services

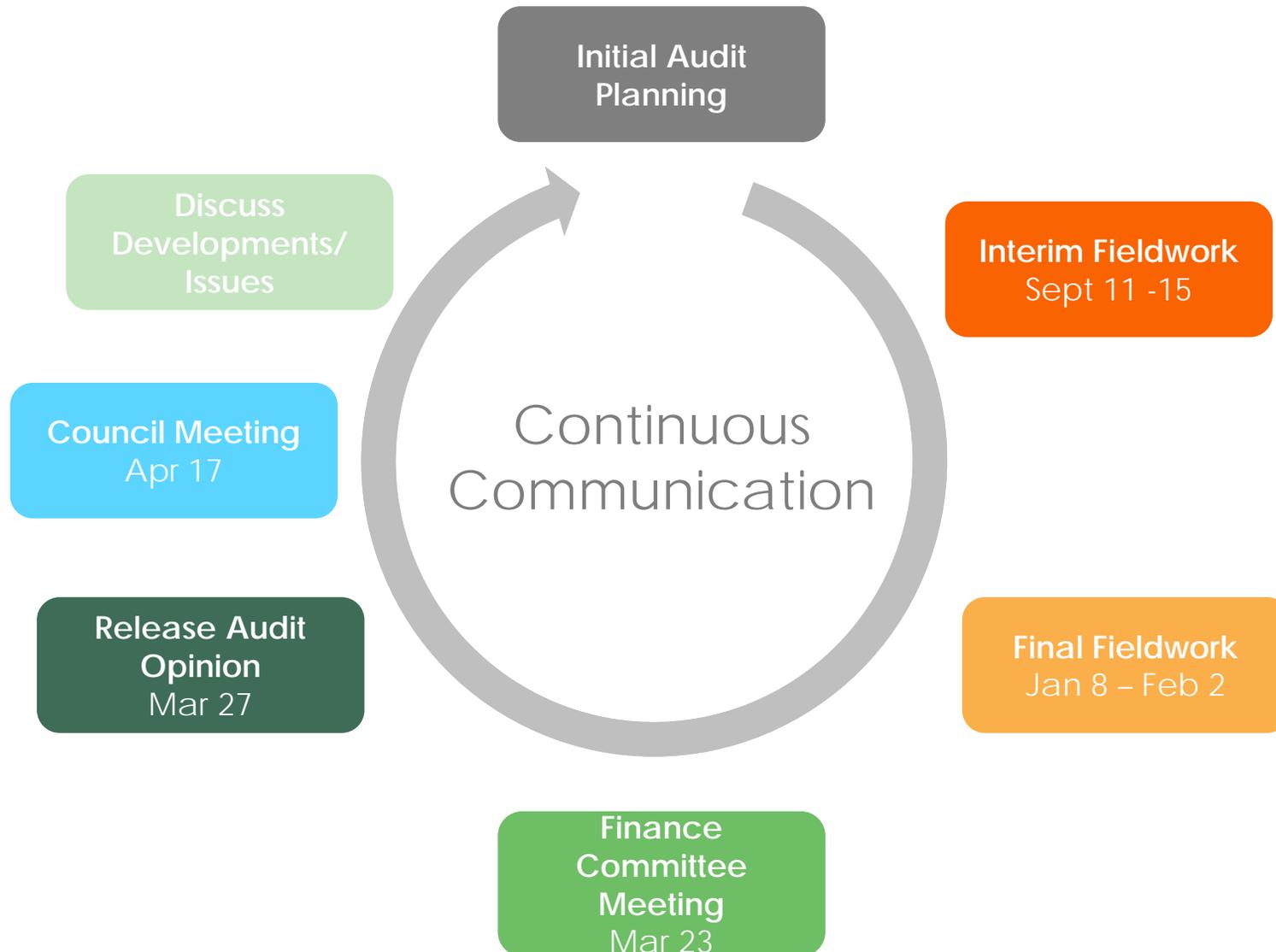
Engagement Team



Audit Process



Engagement Timeline



Audit Process

Interim fieldwork and risk assessment were performed in September 2017. Procedures included:

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

Audit Process



Final fieldwork- performed in January 2018

Procedures included:

- Testing of significant account balances using a combination of vouching of material transactions, sampling transactions and applying analytical procedures.
- Assisting with the preparation of the financial statements.



Auditor Communications

for the year ended September 30, 2017

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 2017 financial statements has been completed and we have issued an unmodified opinion.

Required Communications to Those in Charge of Governance



Communication	Results
Auditor's Responsibility under Government Auditing Standards	<p>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.</p> <p>No findings noted.</p>

Required Communications to Those in Charge of Governance



Communication

Unusual transactions and the adoption of new accounting principles

Results

The significant accounting policies used by the City are described in Note 1 to the basic financial statements.

New GASB pronouncements implemented in 2017 include GASB Statement No. 77, "Tax Abatement Disclosures" which requires certain information to be disclosed related to tax abatements.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

Required Communications to Those in Charge of Governance



Communication	Results
Fraud and illegal acts	No fraud, irregularities, or illegal acts were noted.
Material weakness in internal control	No material weaknesses 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.
Management judgments and accounting estimates	Management's estimates of allowances for uncollectible receivables for property taxes and utility services, net pension liability, OPEB liability 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. Adjustments were recorded as a result of our audit primarily to correct various opening balances and capital assets.</p> <p>In addition, management has determined that the effects of the uncorrected misstatements listed on slide 18 are immaterial, individually, and in the aggregate, to the financial statements taken as a whole.</p>
Other material written communications between Weaver and Tidwell, L.L.P., and the City	Nothing to note.

Required Communications to Those in Charge of Governance



Passed audit adjustments

Account	Description	W/P Ref	Debit	Credit
Proposed Journal Entries				
Proposed Journal Entries JE # 2002		7103.00		
To book receivables for mixed beverage taxes.				
100-13040-000-00	D/F OTH GOVT-STATE COMPTROLLER		38,788.00	
100-13040-000-00	D/F OTH GOVT-STATE COMPTROLLER		7,277.00	
100-30000-000-00	UNDESIGNATED FUND BALANCE			46,065.00
Total			46,065.00	46,065.00
Proposed Journal Entries JE # 2003				
Proposed Journal Entries JE # 2003		4200.00		
To reduce expenditure in current year for write off of receivable that should have occurred in prior year.				
125-30000-000-00	UNDESIGNATED FUND BALANCE		15,353.00	
125-53550-650-01	BAD DEBT EXPENSE			15,353.00
Total			15,353.00	15,353.00
Proposed Journal Entries JE # 2004				
Proposed Journal Entries JE # 2004		7100.00		
To correct prior year error.				
100-49999-000-00	USE OF FUND BALANCE		40,887.00	
100-30000-000-00	UNDESIGNATED FUND BALANCE			40,887.00
Total			40,887.00	40,887.00

The background of the slide is a close-up, grayscale photograph of a pencil tip resting on a document. The pencil is positioned diagonally, with the tip pointing towards the bottom right. The document has some faint, illegible markings. A semi-transparent orange horizontal band is overlaid across the middle of the image, containing the text 'Auditor Results'.

Auditor Results

Weaver**Views**

Auditor 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

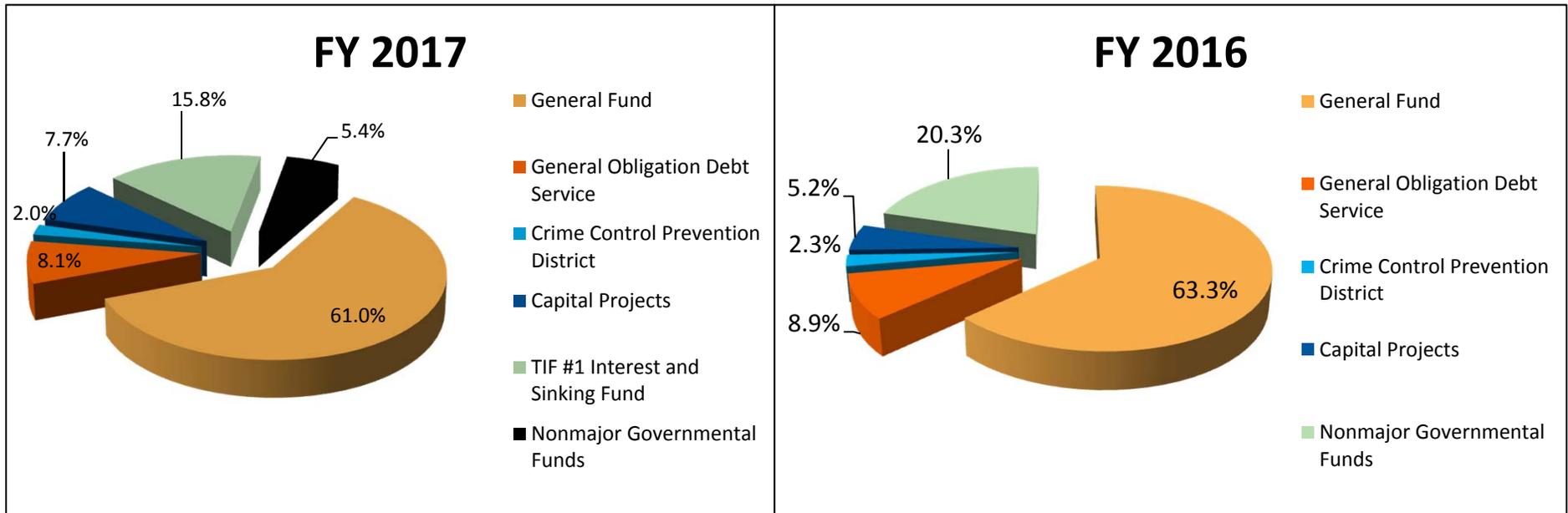
A grayscale photograph showing a person's hand holding a pen, poised to write on a document. The document contains various charts and tables, suggesting a financial or business report. A pair of glasses is resting on the document. In the background, a white coffee cup is visible. The overall scene is professional and focused on data analysis.

Weaver**Views**

Financial Highlights



Comparison of Governmental Funds Expenditures by Fund



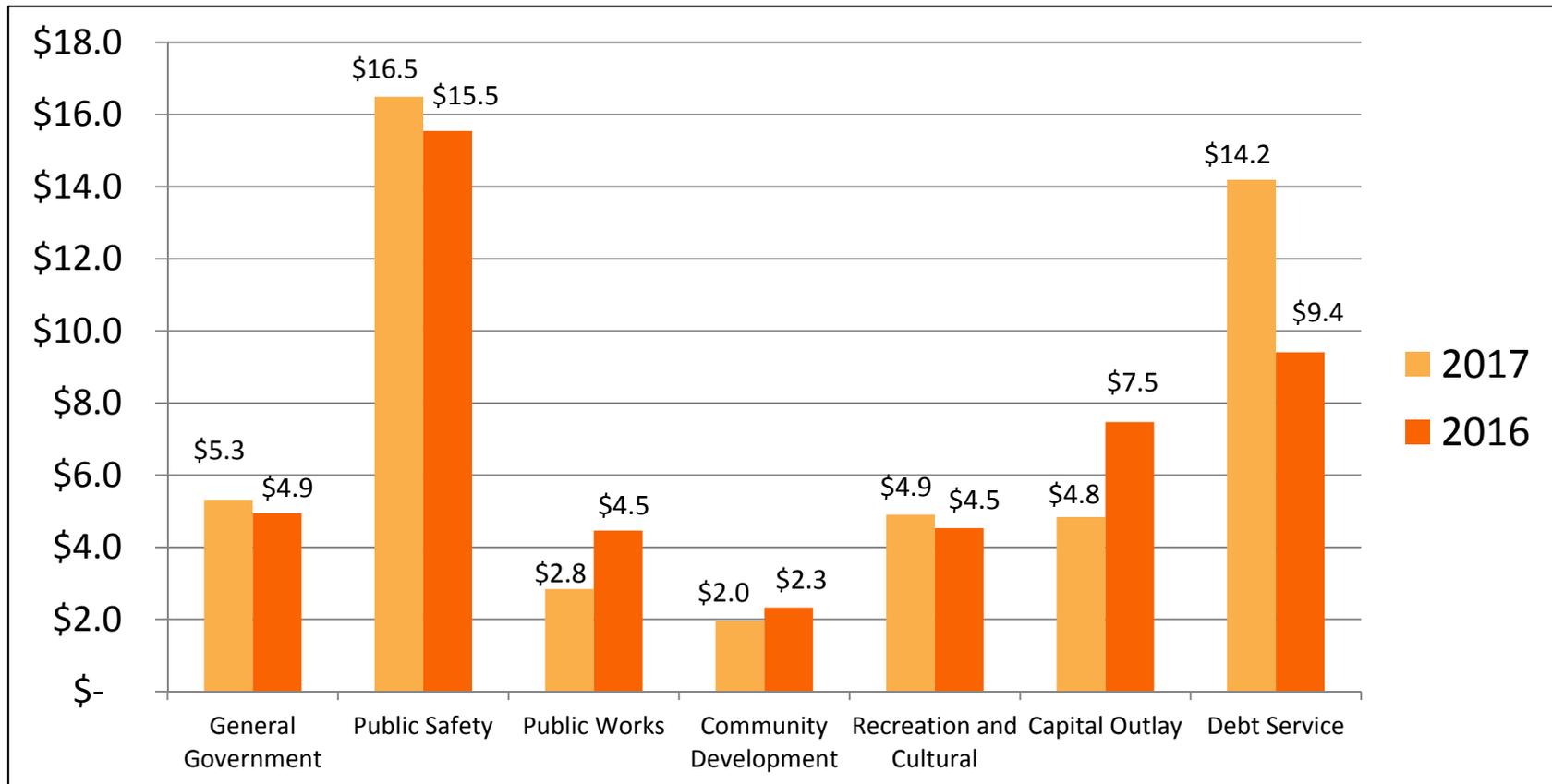
Governmental Funds Expenditures for FY 2017 totaled \$50.5 million, a \$1.7 million or 3.5% increase

- Capital outlay decreased \$2.7 million primarily due to reduced activity in the Parks Capital Improvement Fund in fiscal year 2017.
- Debt Service costs increased by \$4.8 million due to (planned) increased principal payments.

Financial Highlights



Comparison of Governmental Funds Expenditures

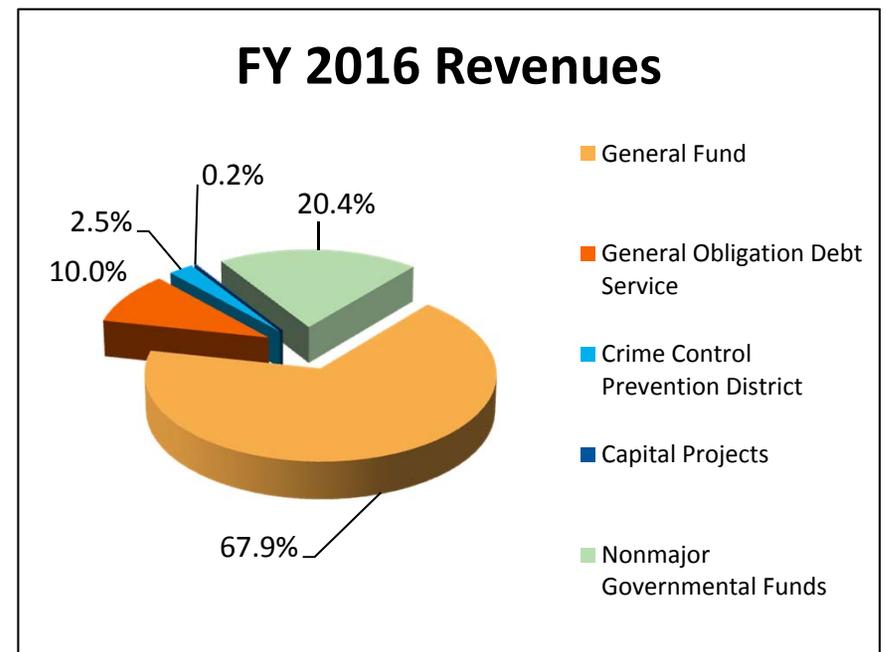
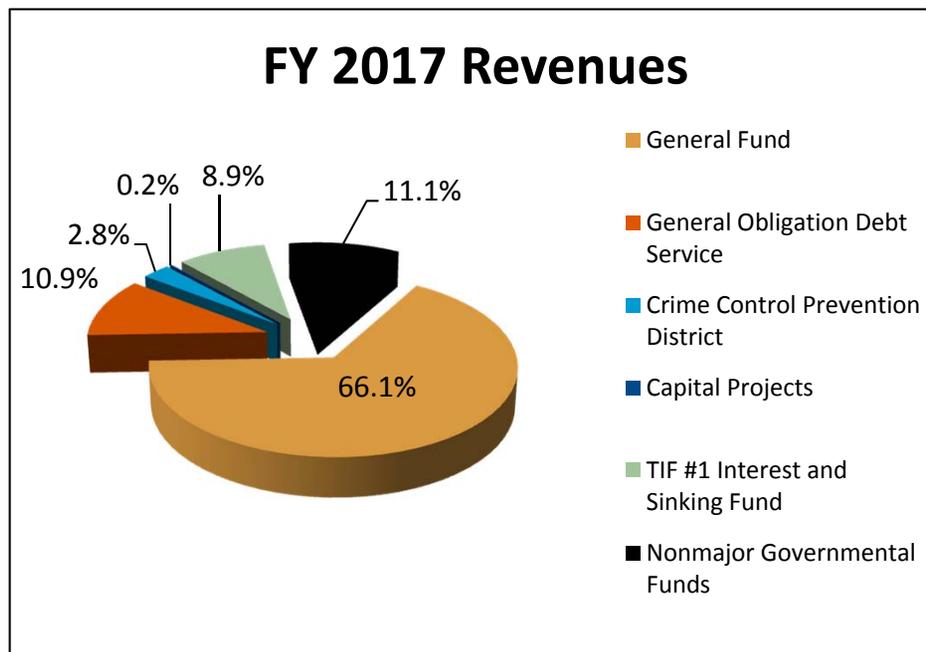


(2-year comparison – current year and prior year – in millions)

Financial Highlights

Comparison of Governmental Revenues by Source

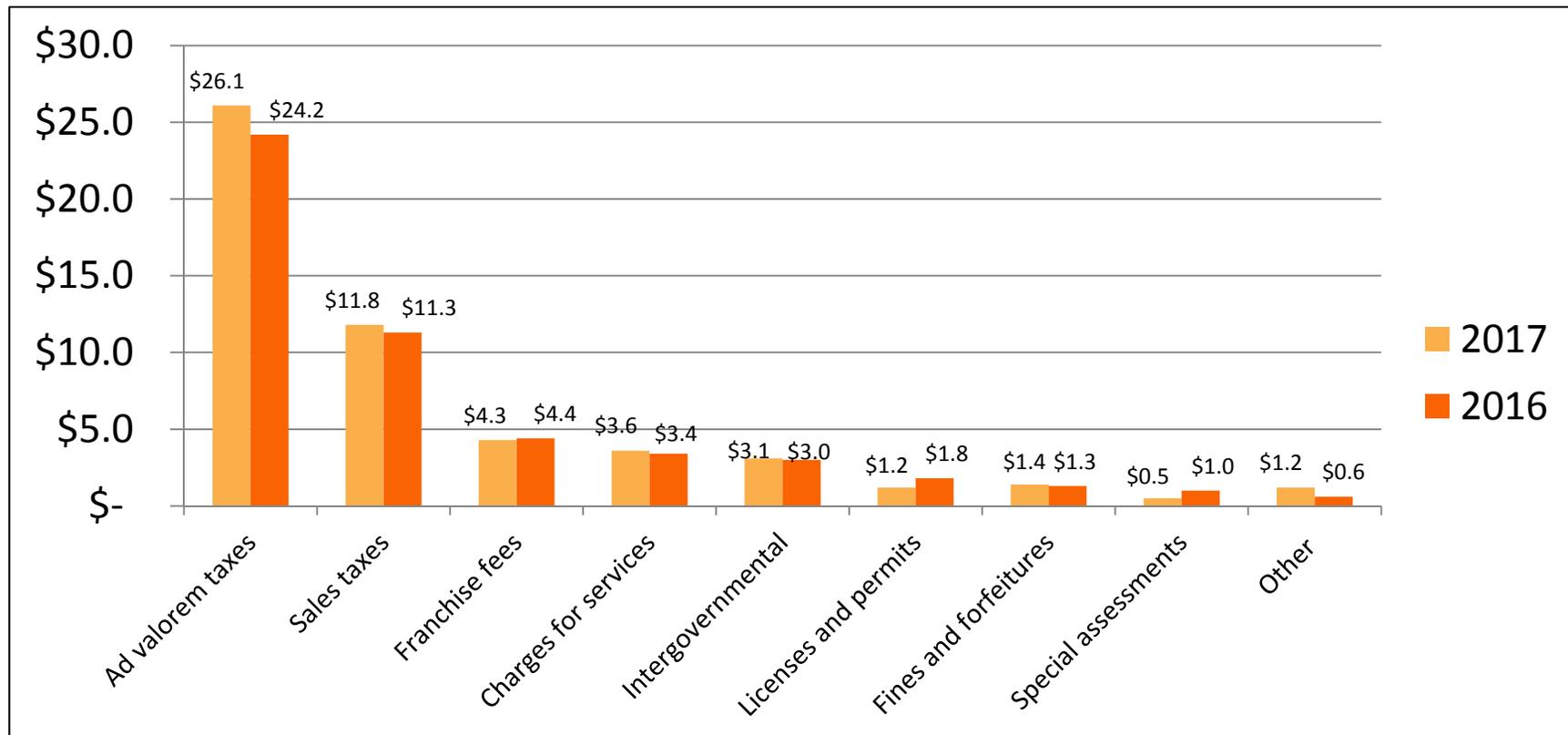
Governmental Revenues for FY 2017 totaled \$53.2 million, a \$2.2 million or 4.3% increase. Property taxes increased \$1.9 million in FY 2017 while sales taxes increased by \$0.5 million.



Financial Highlights



Comparison of Governmental Revenues by Source



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

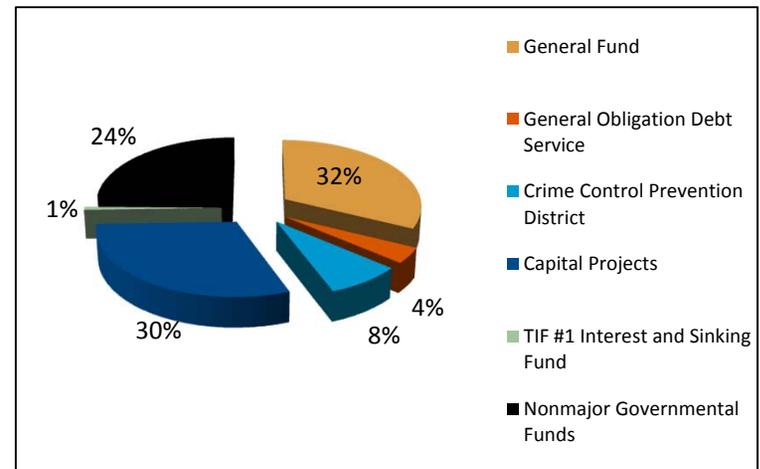
Financial Highlights

Fund Balances

Governmental Funds' Fund Balances

As of September 30, 2017, the City's governmental funds reported a combined ending fund balance of \$52.5 million as follows:

• General Fund	\$16,777,299
• Debt Service	1,974,383
• CCPD	4,181,677
• Capital Projects	15,784,107
• TIF #1 I&S	434,922
• Other Funds	<u>13,388,312</u>
	<u>\$52,540,700</u>



- Overall, fund balance of the Governmental Funds increased by \$7.7 million, due in part to increases in ad valorem taxes and sales taxes, as well as the issuance of bonds.
- Unassigned fund balance in the General Fund, \$16,073,653 represents 52% of fiscal year 2017 General Fund expenditures.

Financial Highlights



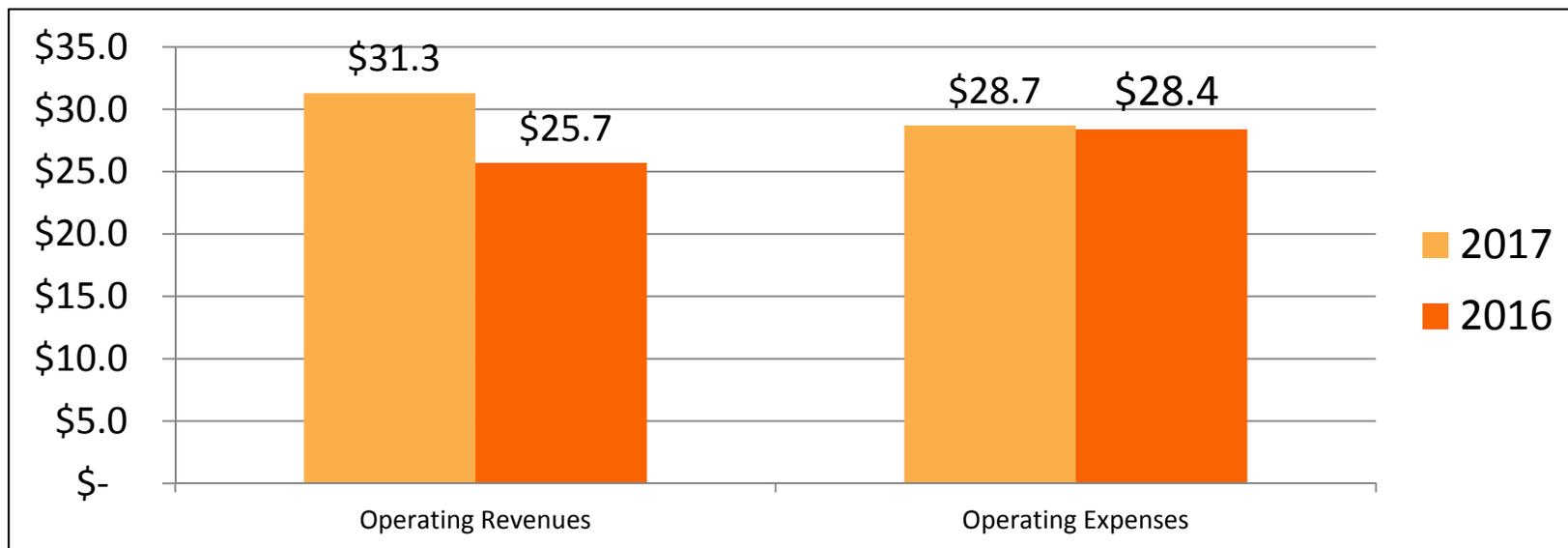
Budgetary Highlights – General Fund

The City had a favorable budget variance of \$2.8 million (net change in fund balance):

- Actual revenues were \$182K less than budgeted.
 - Franchise taxes were \$258K less than budgeted.
 - Licenses and permits were \$524K less than budgeted.
 - Interest income was \$220K less than budgeted.
 - Charges for services were \$280K more than budgeted.
- Actual expenditures were below budget by \$2.9 million.

Financial Highlights

Comparison of Utility Fund Operating Revenues and Expenses – FY 2017 and FY2016 (in millions)



- Utility Fund net position increased by \$15.7 million, primarily the result of a \$11.5 million transfer in of capital assets used in the operation of The Keller Pointe.
- Operating revenues increased \$5.6 million primarily due to increased water and sewer revenues, the result of water rate increases and increased water consumption.
- Operating expenses increased \$0.3 million primarily due to increases in personnel, cost of water purchases and depreciation.

Standards Required to be Implemented in FY2018



Effective for the year ended September 30, 2018

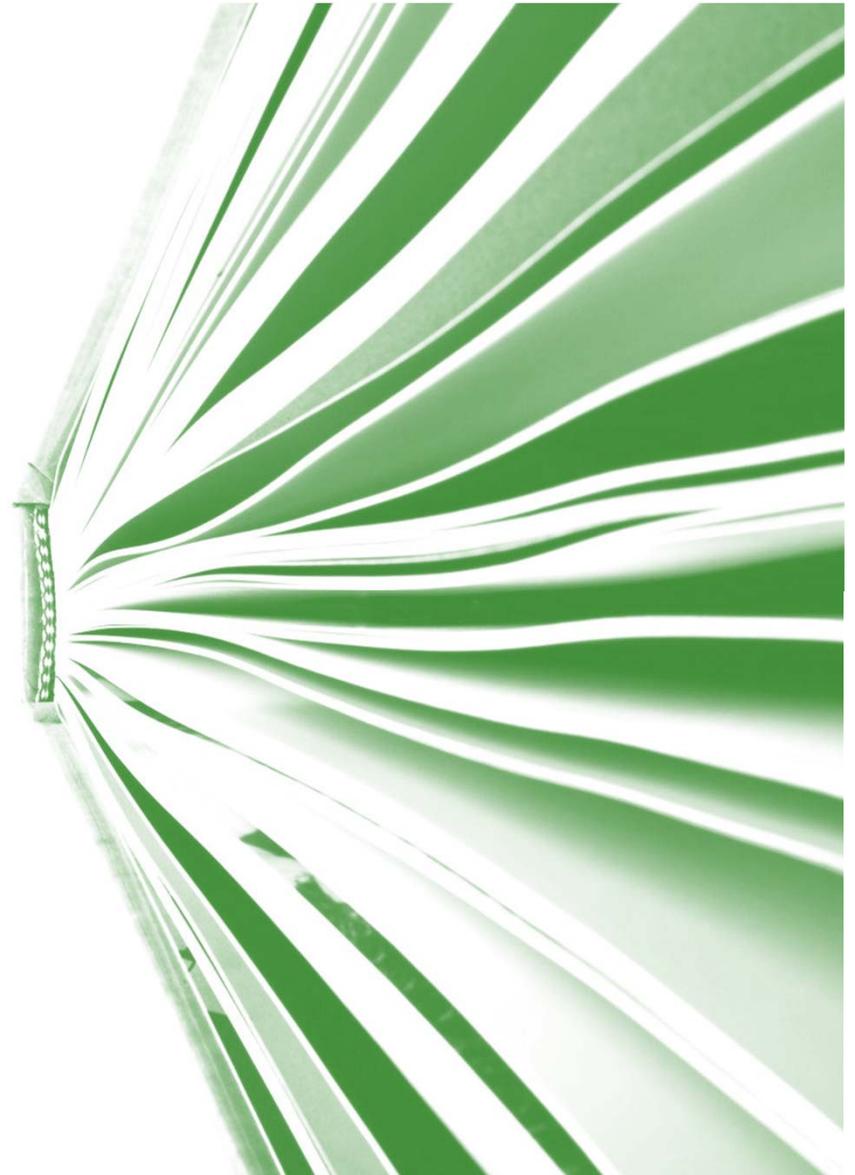
GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)

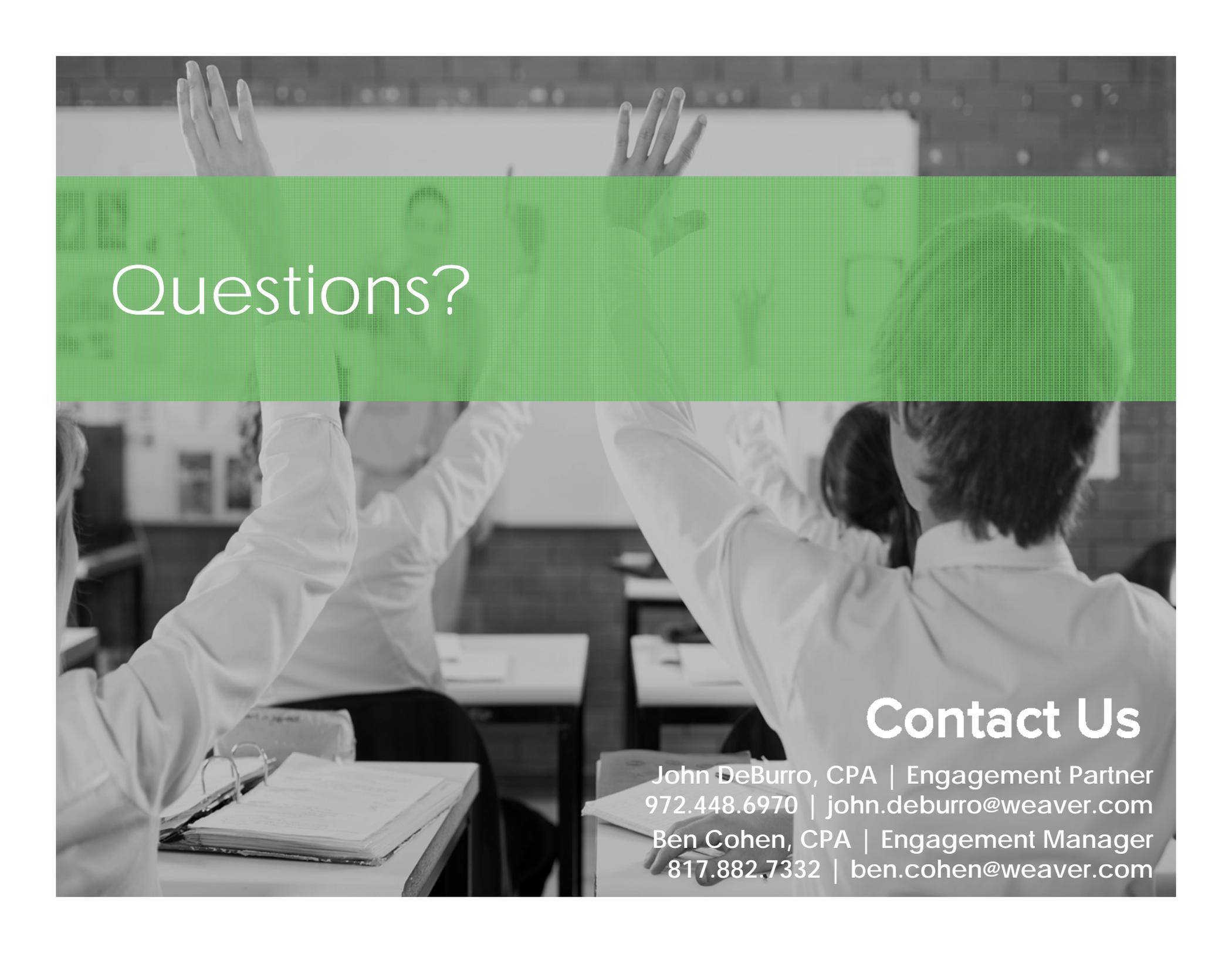
- **Objective:** to improve accounting and financial reporting by state and local governments for OPEB.

GASB 86 – Certain Debt Extinguishment Issues

- **Objective:** to improve consistency in accounting and financial reporting in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

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





Questions?

Contact Us

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