

City of Keller

Council Meeting

April 6, 2021



Overview



- Introduction
- Audit Process
- Required Communications
- Audit Results
- Financial Highlights
- Questions



Introductions

Weaver**Views**

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

Partner,
Assurance Services

Ben Cohen

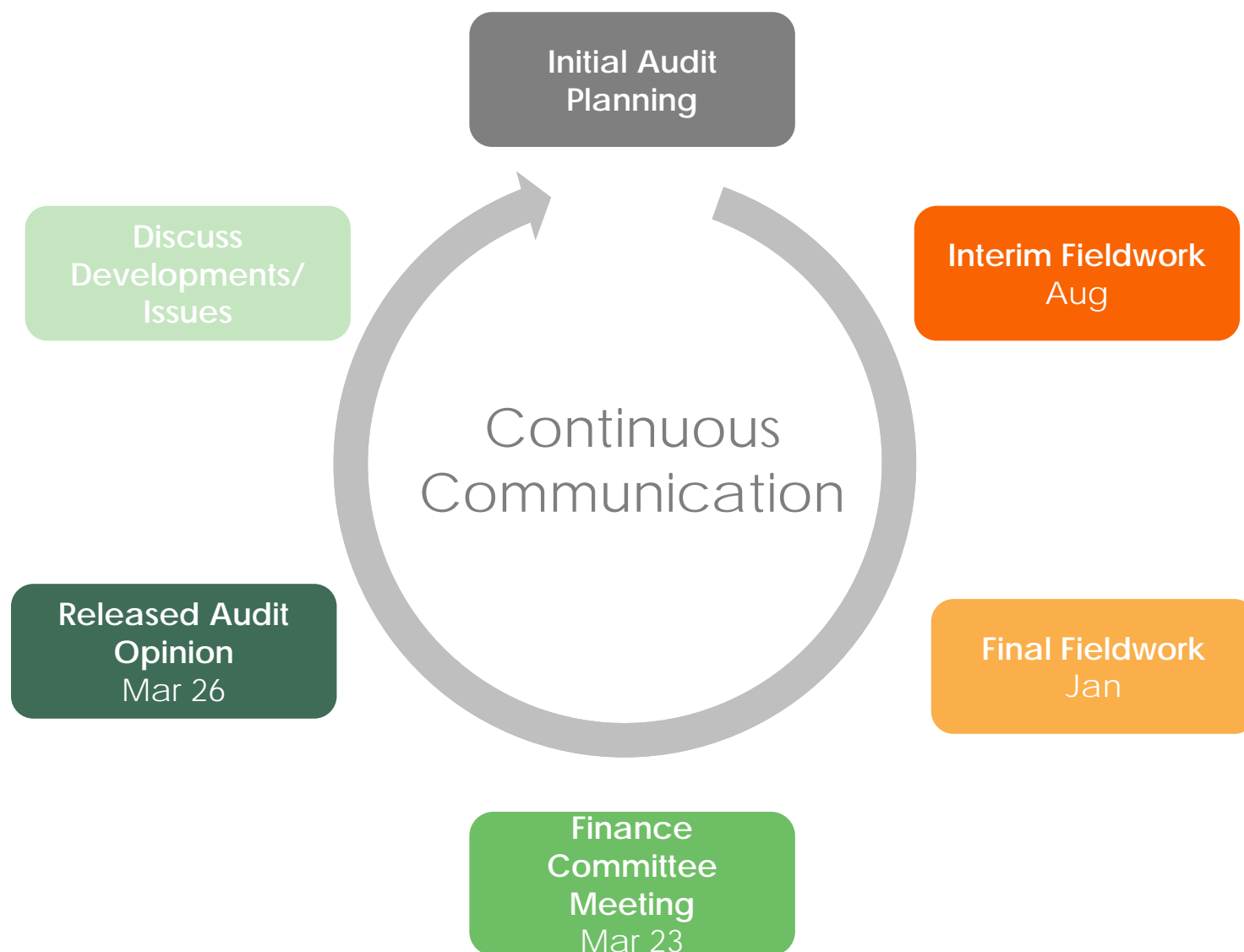
Senior Manager,
Assurance Services

Audit Process



Weaver**Views**

Engagement Timeline



Audit Process

- The audit was performed in accordance with **Generally Accepted Auditing Standards (GAAS)**, **Generally Accepted Government Auditing Standards (GAGAS)**, and **The Uniform Guidance**.
- 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
 - Federal grant revenues and expenditures and compliance with related grant requirements
 - Effects of COVID-19 on expectations



Audit Process

Interim fieldwork and risk assessment were performed in August 2020. Procedures included:

- Walkthrough of accounting controls over significant transaction cycles:
 - Purchasing and accounts payable
 - Payroll, including TMRS data
 - Cash receipts – taxes, court, recreation ctr, 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

Audit Process



Final fieldwork- performed in January 2021 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.
- Testing the City's compliance with direct and material compliance requirements for its major federal program –
 - **Coronavirus Relief Fund**– CFDA# 21.019 - \$2,321,824 (spent as of 9/30/20)



Auditor Communications

for the year ended September 30, 2020

Weaver**Views**

Required Communications to Those in Charge of Governance



Communication	Results
Auditor's responsibility under generally accepted auditing standards (GAAS)	<p>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.</p> <p>The audit of the fiscal year 2020 financial statements has been completed and we have issued an unmodified opinion.</p>

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 have issued 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	Results
Auditor's Responsibility under The Uniform Guidance	<p>Our testing includes all major federal financial assistance programs. We report on such testing, and disclose any significant deficiencies in internal control over compliance, including material weaknesses we identify. Our report does not provide assurance on internal control over compliance. We perform procedures for the purpose of expressing an opinion on whether major federal financial assistance programs have been administered in compliance with applicable laws and regulations.</p> <p>The audit of the fiscal year 2020 major federal financial assistance programs has been completed and we have issued an unmodified opinion.</p>

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 2020 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 have 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 correct current year statement of activities for changes in long term liabilities and capital assets.</p> <p>In addition, there was one passed adjustment to change beginning fund balance for the settlement of ambulance fees paid by the State in prior year of \$130,977 that was recorded as unearned revenue in prior year. The \$130,977 was recognized as revenue in current year.</p>
Other material written communications between Weaver and Tidwell, L.L.P., and the City	Nothing to note.

The background of the slide is a blurred photograph of a pencil and some papers. A green semi-transparent banner is positioned across the upper half of the image.

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**
- We have issued the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance and on the Schedule of Federal Awards in Accordance with The Uniform Guidance
 - ✓ **No findings noted**

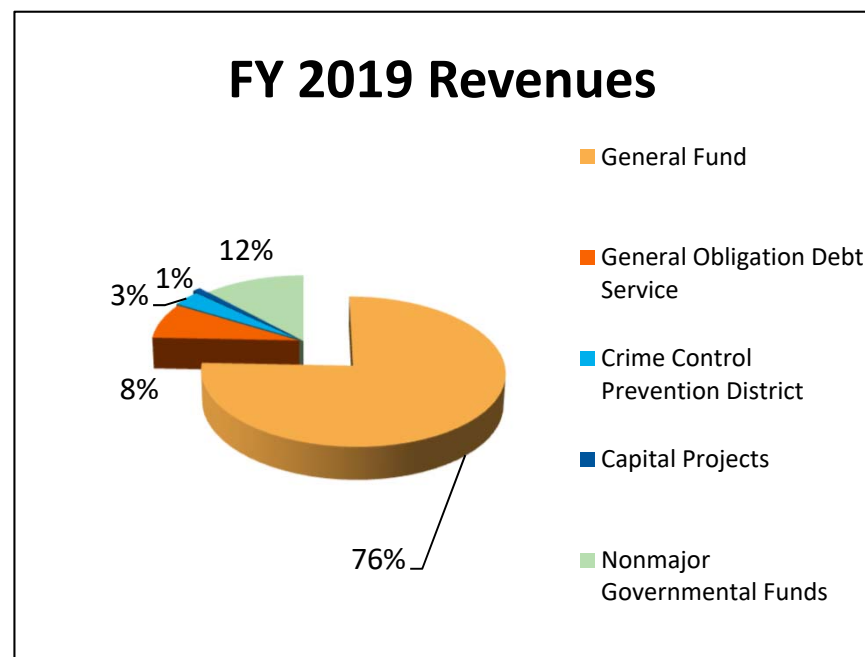
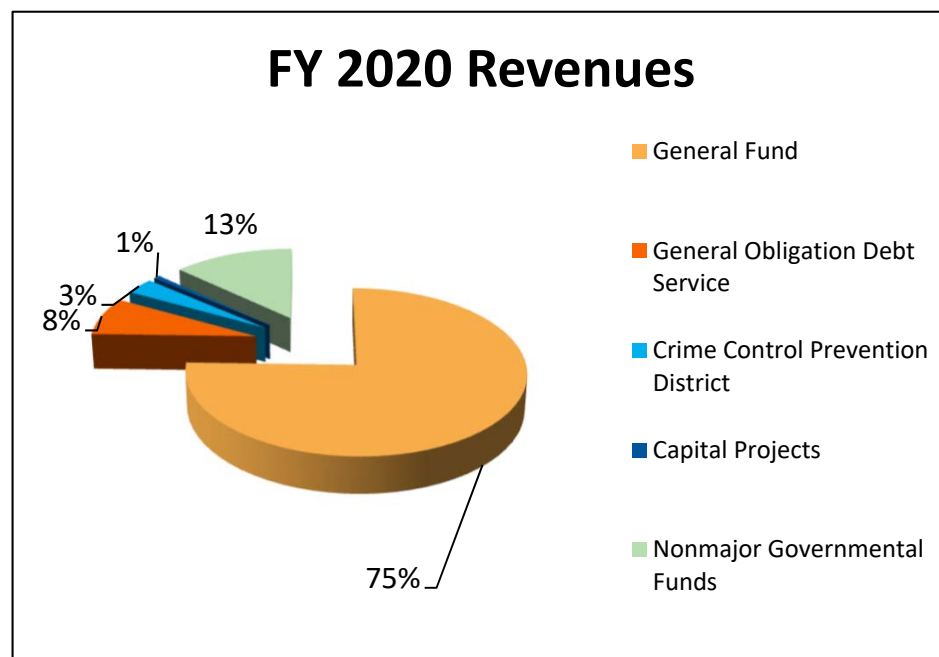
Financial Highlights

Weaver**Views**

Financial Highlights

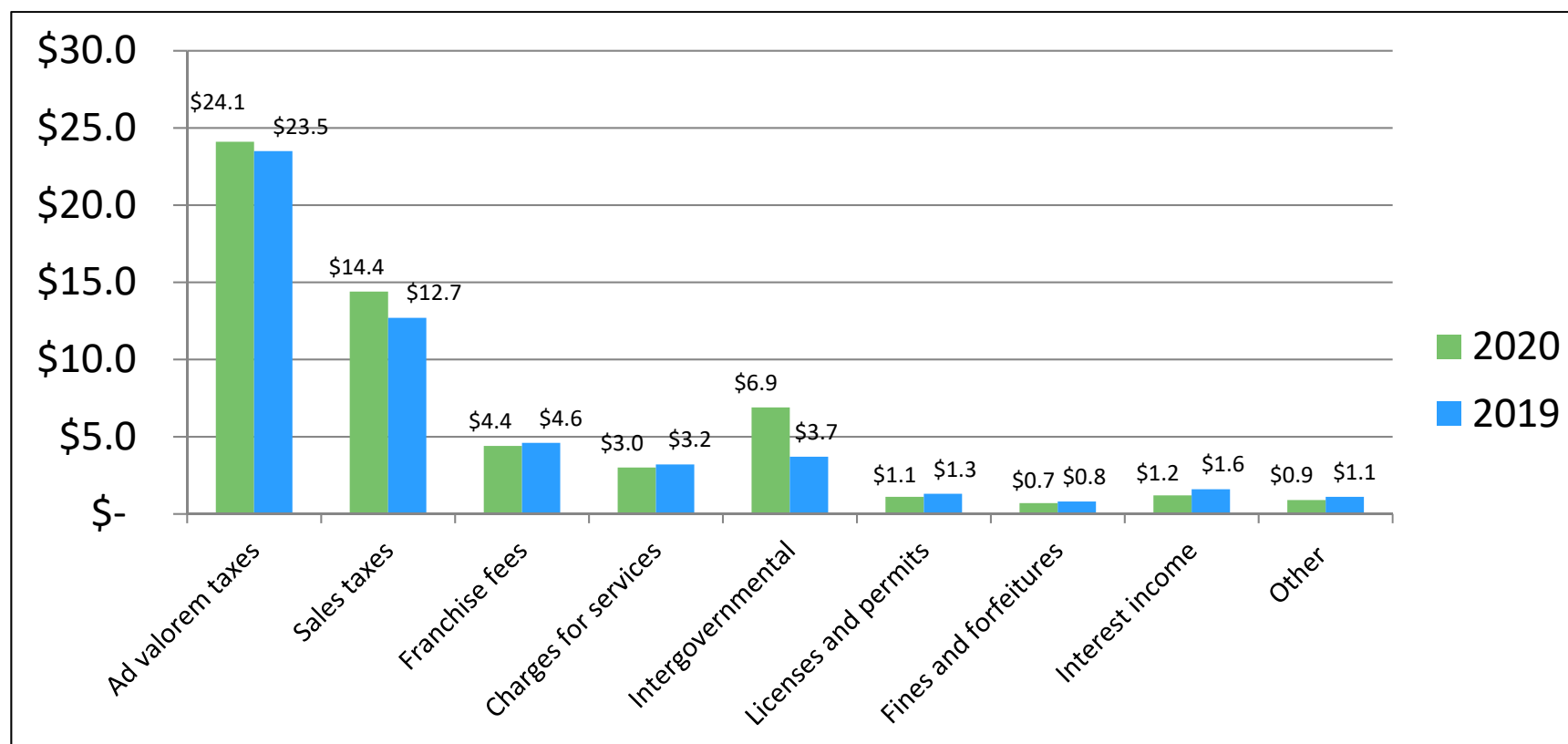
Comparison of Governmental Revenues by Source

Governmental Revenues for FY 2020 totaled \$56.7 million, a \$4.2 million or 8% increase. The increase was primarily due to a \$3.2 million increase in intergovernmental revenue due to the result of CRF grant award and \$1.7 million increase in sales tax revenues.



Financial Highlights

Comparison of Governmental Revenues by Source

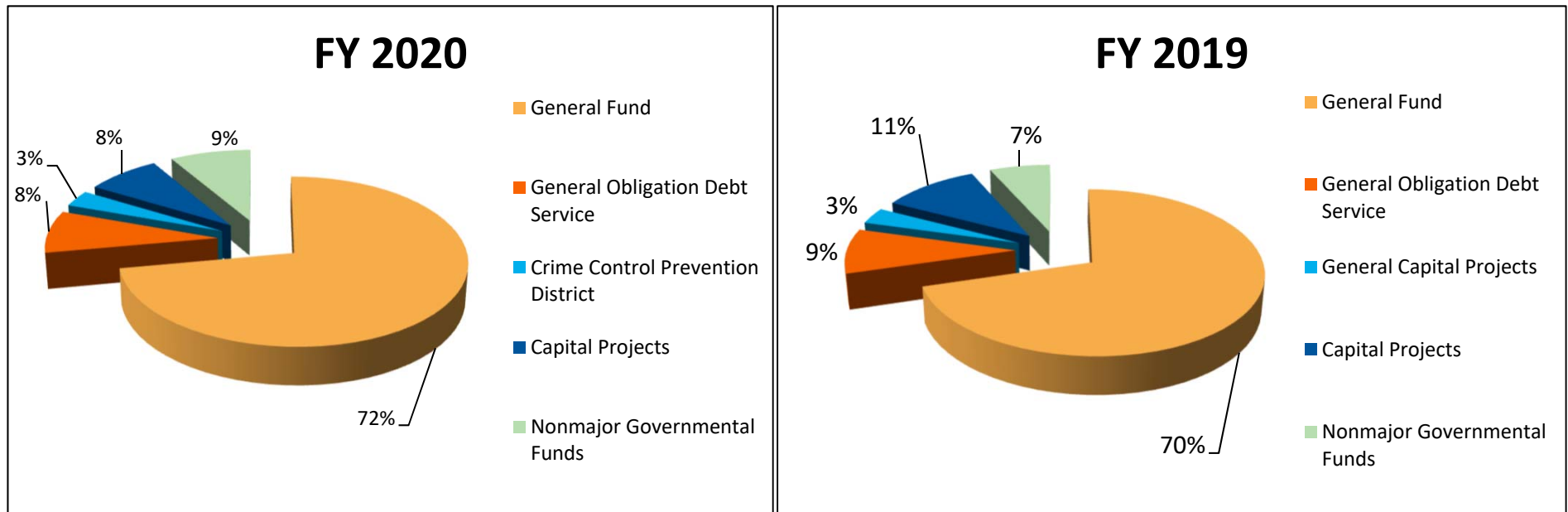


(2-year comparison – current year and prior year – in millions)

Financial Highlights



Comparison of Governmental Funds Expenditures by Fund



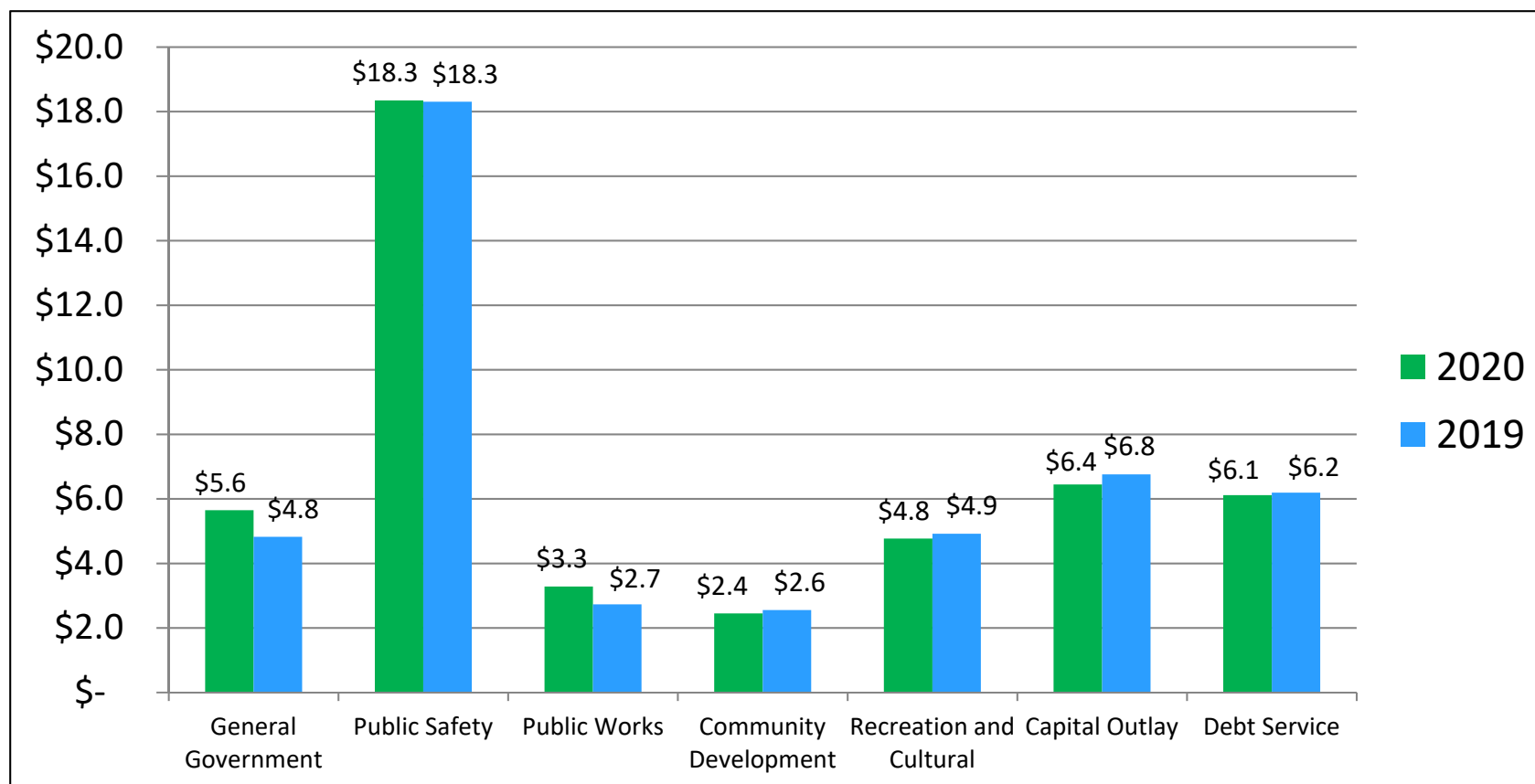
Governmental Funds Expenditures for FY 2020 totaled \$47.0 million, an \$872K or 1.7% increase

This was primarily the net effect of:

- General government increase of \$821K for administration cost
- Public works increase of \$555K for maintenance and repair
- Capital outlay decrease of \$315K due to delayed capital projects
- Debt service decrease of \$75K from lower interest and principal expense
- Recreation and cultural decrease of \$149K due to less activity due to pandemic

Financial Highlights

Comparison of Governmental Funds Expenditures



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

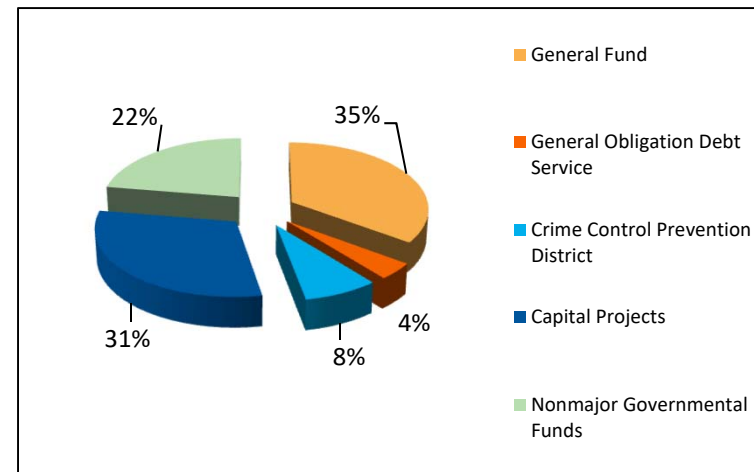
Financial Highlights

Fund Balances

Governmental Funds' Fund Balances

As of September 30, 2020, the City's governmental funds reported a combined ending fund balance of \$83.4 million as follows:

• General Fund	\$26,986,339
• Debt Service	3,253,941
• CCPD	5,651,877
• Capital Projects	31,164,092
• Other Funds	<u>16,322,542</u>
	<u>\$83,378,791</u>



- Overall, fund balance of the Governmental Funds increased by \$16.8 million, due in part to revenues in excess of expenditures of \$8.8 million in the General Fund and \$8.1 million of proceeds from bonds (including premium) in the capital projects fund.
- Unassigned fund balance in the General Fund (\$26.2 million) represents 77% of fiscal year 2020 General Fund expenditures.

Financial Highlights



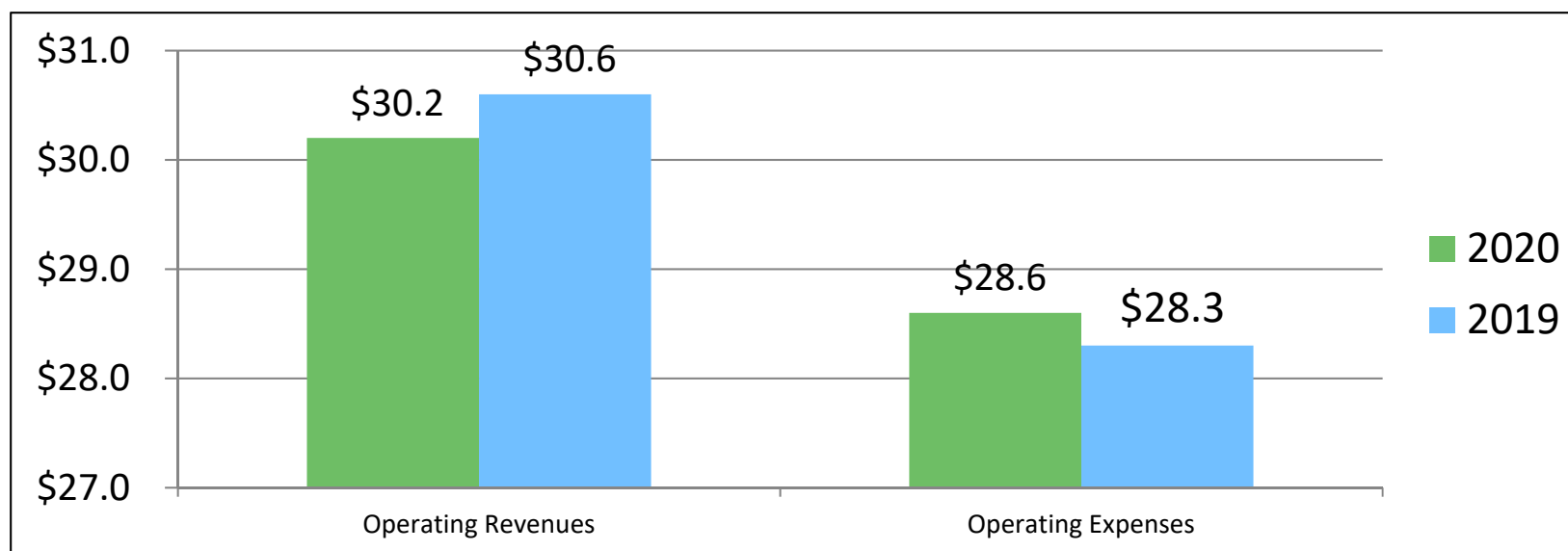
Budgetary Highlights – General Fund

The City had a favorable budget variance of \$4.7 million (net change in fund balance) during fiscal year 2020:

- Actual revenues were \$2.8 million more than budgeted.
 - Intergovernmental revenues were \$2.5 million more than budgeted.
 - Miscellaneous income was \$277K more than budgeted.
 - Sales taxes were \$746K more than budgeted.
 - Ad valorem taxes were \$181K less than budgeted.
 - Fines and forfeitures were \$362K less than budgeted.
- Actual expenditures were below budget by \$2.1 million, the result of cost savings in all departments.

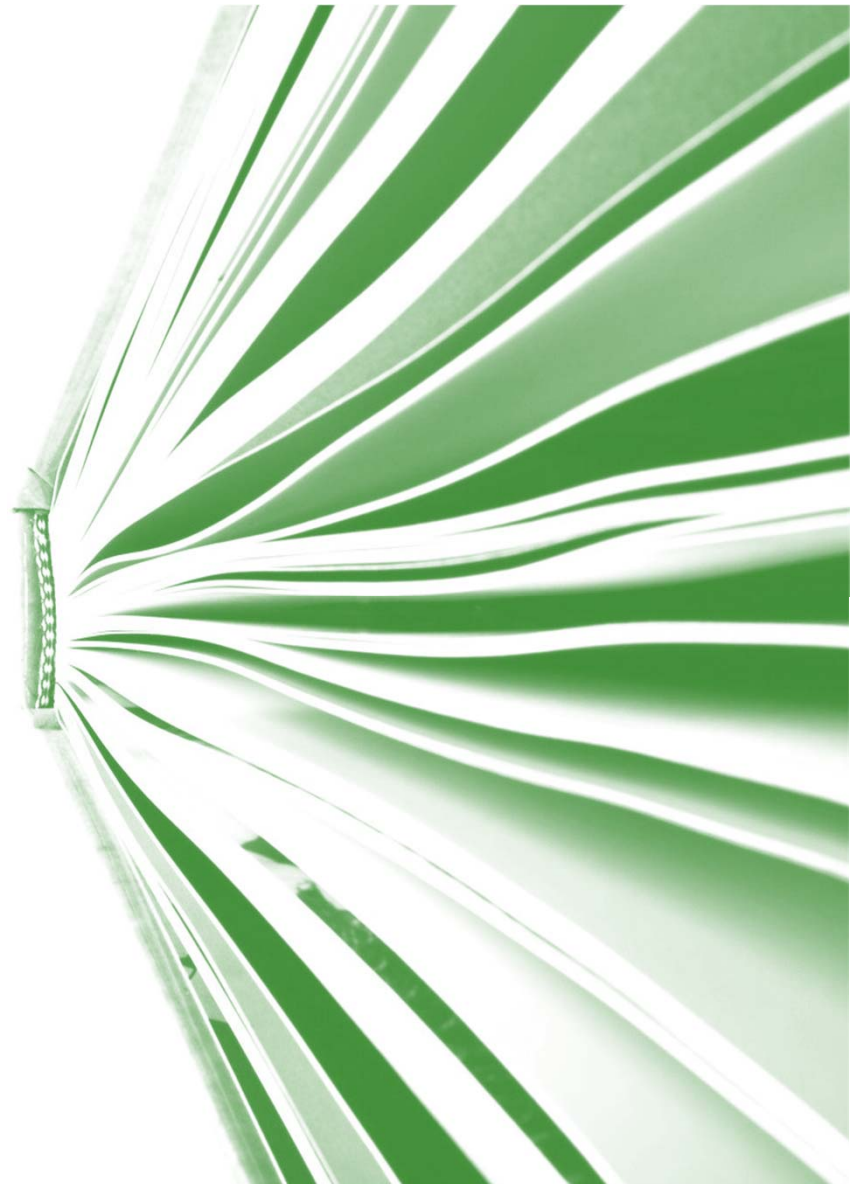
Financial Highlights

Comparison of Enterprise Funds Operating Revenues and Expenses – FY 2020 and FY2019 (in millions)



- Enterprise Funds operating revenues and expenses were consistent with prior year. However, Water and Wastewater utilities operating revenue increased by nearly \$1.0 million over the prior year while operating revenue in the Recreation/Aquatic Center decreased nearly \$1.4 million due to the pandemic.
- Enterprise Funds' overall net position increased by \$3.3 million, primarily the result of operating income of \$1.6 million and \$2.1 million in developer contributions.

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



Discussion



Contact Us

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