



City of Keller

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Legislation Text

File #: 20-173, **Version:** 1

To: Mark R. Hafner, City Manager

From: Aaron Rector, Director of Administrative Services

Subject:

Consider a resolution acknowledging receipt of the Comprehensive Annual Financial Report for the fiscal year ending September 30, 2019.

Background:

The City of Keller is required by §103.001 of the Texas Local Government Code and Section 8.15 of the City of Keller Charter to have an annual financial audit by an independent accounting firm. §103.003 of the state code and Section 8.15 of the city charter requires the annual financial statement, including the auditor's opinion, to be provided to each member of City Council and placed on file at the City as a public record.

City management is responsible for completeness, reliability and accuracy of financial reports for the auditors to test and give their opinion on. The auditors base their opinion on the reasonableness on the City's financial statements and internal controls. The resulting audit report or Comprehensive Annual Financial Report (CAFR) is prepared through the cooperative efforts of the City Finance Department and Weaver, L.L.P. The auditor's opinion is found on page 1 and is favorable.

However, the auditors have found a material weakness in the City's internal controls related to the timeliness of year-end entries, posting of capital expenditures to non-capital lines, and the reconciliation of cash and investments such as KCCPD. A letter explaining the findings is included with the agenda item. The findings are related to the process and timing of posting entries, and are not issues related to misappropriation of funds or any other significant financial deficiencies. The auditors have recommended the City improve the fiscal year closing process and provide additional training. Staff has already implemented new closing procedures and is looking into training opportunities. Even with the findings, the city is receiving an unqualified opinion from the auditors, meaning the financial statements are properly stated and in compliance Government Auditing Standards.

The CAFR represents the completion of the fiscal year (FY) 2018-19 budget process that began approximately two years ago when the departments began preparing their initial budget requests. The General Fund variance of final Actuals to final Budget is on page 64, reflecting positive variances for both revenues and expenditures.

A draft CAFR was presented to the Finance Committee on Friday, March 24, 2020. The final CAFR includes adjustments related to comments from the committee meeting and minor formatting changes. On March 31, 2020, the CAFR was submitted to the Government Finance Officer Association (GFOA) for the Achievement for Excellence in Financial Reporting award review and to

the city's investment advisor for compliance with continuing disclosure requirements. The City has submitted past CAFRs to the GFOA's Excellence in Financial Reporting program for the past 30 years (FY 1988-89 through 2017-18). It is the City's expectation that the September 30, 2019 CAFR will be awarded its 31st consecutive certificate.

A CPA partner will be presenting a summary of audit findings at the City Council meeting. They will communicate directly on any governance matters that are significant and relevant to the responsibilities of those charged with governance in overseeing our financial reporting process.

Financial Impact:

Not applicable.

Citizen Input/Board Review:

The Finance Committee reviewed the report with the auditor on March 24, 2020.

Legal Review:

Not applicable.

Alternatives:

City Council has the following alternatives:

- Approve as submitted
- Approve with changes
- Denial

Council Action:

Consider a resolution acknowledging receipt of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending September 30, 2019.