

Farmersville, Texas

Audit Presentation

September 30, 2017

Presented By: Louis Breedlove, Audit Manager
June 26, 2018

BW&C

CERTIFIED PUBLIC ACCOUNTANTS



OVERVIEW OF THE AUDIT PROCESS

Audit Planning and Risk Assessment

- **Audit Standards** – The audit was performed in accordance with Generally Accepted Auditing Standards (GAAS)
- **Assessment** – Evaluate and examine processes and controls
- **Risk-Based Approach** – 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. Risks such as:
 - Revenues and related expenditures
 - Construction in progress, purchasing requirements, bids and capital assets
 - Payroll Expenditures and payroll related liabilities
 - Long term liabilities (bonds payable, pension)

OVERVIEW OF THE AUDIT PROCESS

Audit Fieldwork & Completion and Reporting

- **Compliance Testing** – Performed testing over the City’s compliance with provisions with laws, regulations, contracts and grant agreements, including items such as compliance with Public Funds Investment Act (PFIA) compliance requirements.
- **Fieldwork** – Agree balances to underlying reports, and perform testing to assure those balances are materially accurate.
- **Conclusion & Reporting** – Evaluate results. Prepare report and required communications.




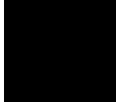
COMPONENTS OF THE ANNUAL FINANCIAL REPORT

- ❖ Auditor's Opinion
- ❖ Management's Discussion and Analysis
- ❖ Basic Financial Statements
 - Government-Wide Statements
 - Fund Level Statements
 - Notes to the Financial Statements
- ❖ Required Supplementary Information
 - Budget to Actual – General Fund

INDEPENDENT AUDITOR'S REPORT

REFERENCE CAFR – PAGE 1

❖ Four possible outcomes

	-Unmodified
	-Modified
	-Disclaimed
	-Adverse

- ❖ The City received an unmodified opinion
- ❖ Highest level of assurance

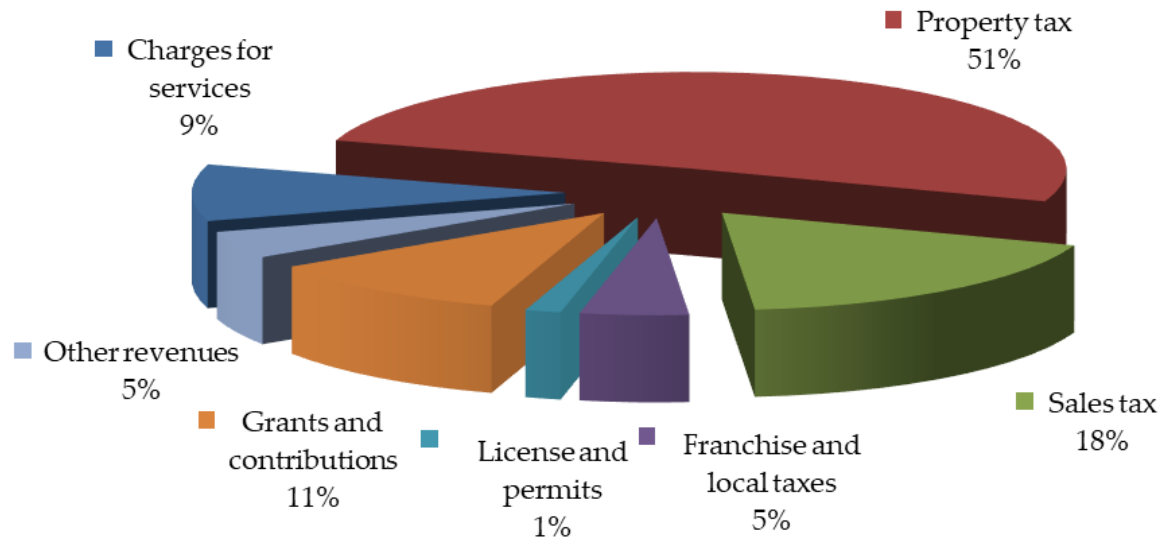
FINANCIAL HIGHLIGHTS

REFERENCE AFR – PAGE 7

- ❖ Total assets exceeded total liabilities by \$9,037,630. Of this, \$3,107,713 is unrestricted.
- ❖ City's governmental funds reported a combined ending fund balance of \$2,880,528, a decrease of \$999,159.
- ❖ Unassigned fund balance in the general fund was \$907,121 or 25% of annual general fund expenditures.
- ❖ The City had an overall decrease in net position of \$189,269.
- ❖ The City closed the year with a net pension liability of \$675,488.

City Revenues – Governmental Activities

GOVERNMENTAL FUNDS – YEAR ENDING 9/30/17 - REFERENCE AFR PAGES 11 & 12

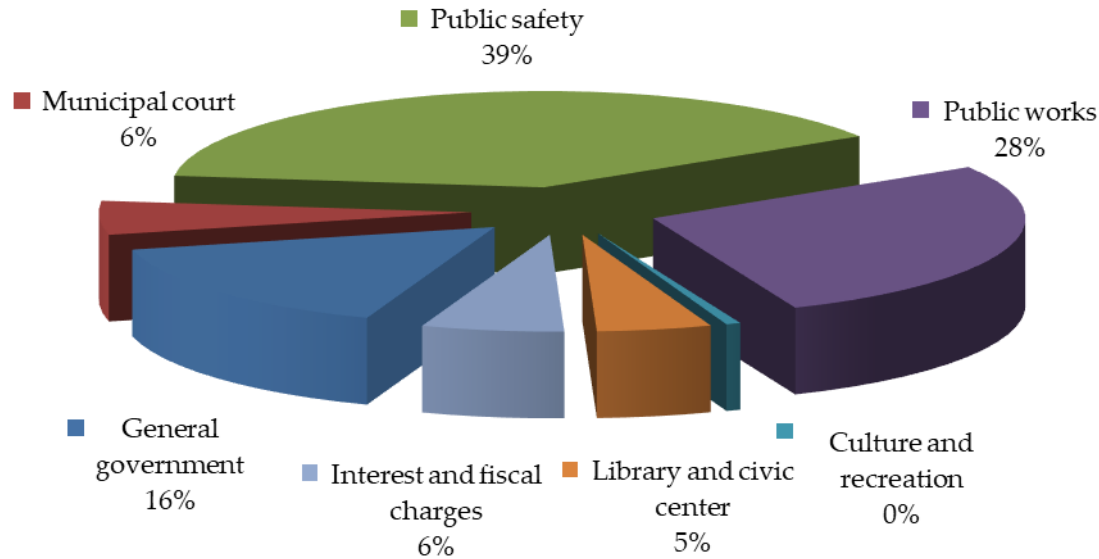


Charges for services	285,864	9%
Grants and contributions	328,119	11%
Property taxes	1,534,160	51%
Sales taxes	549,160	18%
Franchise and local taxes	142,170	5%
License and permits	46,846	1%
Investment income	21,350	0%
Other revenues	117,156	5%
	<u>3,024,825</u>	

- ❖ Total governmental revenues were \$3,024,825.
- ❖ The largest revenues were:
 - ❖ Total property taxes were 51% - \$1,534,160.
 - ❖ Total sales taxes were 18% - \$549,160.
 - ❖ Total grants and contributions were 11% - \$328,119

City Expenditures – Governmental Activities

GOVERNMENTAL FUNDS – YEAR ENDING 9/30/17 - REFERENCE AFR PAGES 11 & 13



- ❖ Total governmental expenses were \$4,116,392.
- ❖ The largest expenses were:
 - ❖ Public safety at 39% - \$1,612,583
 - ❖ Public works at 28% - \$1,139,570
 - ❖ General government at 16% - \$645,827

General government	645,827	16%
Municipal court	233,594	6%
Public safety	1,612,583	39%
Public works	1,139,570	28%
Culture and recreation	26,076	0%
Library and civic center	204,574	5%
Interest and fiscal charges	254,168	6%
	4,116,392	

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS – YEAR ENDING 9/30/17 - REFERENCE AFR PAGE 28

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Total Revenues	2,017,271	743,380	10,615	247,639	3,018,905
<u>Expenditures</u>					
Total Expenditures	3,580,584	713,031	1,107,532	42,184	5,443,331
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(1,563,313)	30,349	(1,096,917)	205,455	(2,424,426)
Total Other Financing					
Sources (Uses)	1,415,385	-	-	9,882	1,425,267
Net Change in Fund Balances	(147,928)	30,349	(1,096,917)	215,337	(999,159)
Beginning fund balances	1,055,049	220,474	2,361,042	243,122	3,879,687
Ending Fund Balances	\$ 907,121	250,823	1,264,125	\$ 458,459	\$ 2,880,528

SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE (Budget & Actual)

GENERAL FUND – YEAR ENDING 9/30/17 - REFERENCE AFR PAGE 83

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Total Revenues	1,816,619	1,876,231	2,017,271	141,040
<u>Expenditures</u>				
Total Expenditures	3,373,230	3,605,312	3,580,584	24,728
Revenues Over (Under) Expenditures	(1,556,611)	(1,729,081)	(1,563,313)	165,768
<u>Other Financing Sources (Uses)</u>				
Total Other Financing Sources (Uses)	1,556,611	1,694,370	1,415,385	(278,985)
Net Change in Fund Balance	\$ -	\$ (34,711)	(147,928)	\$ (113,217)
Beginning fund balance			1,055,049	
Ending Fund Balance			\$ 907,121	

STATEMENT REVENUES, EXPENDITURES & CHANGES IN NET POSITION

PROPRIETARY FUNDS – YEAR ENDING 9/30/17 - REFERENCE AFR PAGE 34

	Water Fund	Wastewater Fund	Electric Utility	Nonmajor Refuse Utility	Total Proprietary
<u>Operating Revenues</u>					
Total Operating Revenues	1,177,433	954,069	3,780,266	452,786	6,364,554
<u>Operating Expenses</u>					
Total Operating Expenses	1,402,452	604,725	2,979,886	377,985	5,365,048
Operating Income (Loss)	(225,019)	349,344	800,380	74,801	999,506
<u>Nonoperating Revenues (Expenses)</u>					
Total Nonoperating Revenues (Expenses)	4,986	(100,220)	(1,974)	-	(97,208)
Income Before Transfers and Contributions	(220,033)	249,124	798,406	74,801	902,298
Transfers (out)	(121,874)	(252,780)	(939,206)	(111,407)	(1,425,267)
Transfers in	530,608	682,653	-	-	1,213,261
Change in Net Position	188,701	678,997	(140,800)	(36,606)	690,292
Beginning net position	4,229,321	1,785,785	1,082,962	86,428	7,184,496
Ending Net Position	\$ 4,418,022	\$ 2,464,782	\$ 942,162	\$ 49,822	\$ 7,874,788

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

YEAR ENDING 9/30/17 - REFERENCE AFR PAGE 71 & 84

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/15	\$ 4,973,105	\$ 4,305,982	\$ 667,123
Changes for the year:			
Service cost	231,232	-	231,232
Interest	335,857	-	335,857
Difference between expected and actual experience	(60,555)	-	(60,555)
Changes of assumptions	-	-	-
Contributions – employer	-	163,202	(163,202)
Contributions – employee	-	96,588	(96,588)
Net investment income	-	291,046	(291,046)
Benefit payments, including refunds of emp. contributions	(226,121)	(226,121)	-
Administrative expense	-	(3,287)	3,287
Other changes	-	(177)	177
Net changes	280,413	321,251	(40,838)
Balance at 12/31/16	\$ 5,253,518	\$ 4,627,233	\$ 626,285

- ❖ The City's current funded ratio is 88.08%. Prior year was 86.59%. Average funding levels for 2016 was 72.9% per a study by NCPERS. Average pension investment return assumption was 7.5%. TMRS uses 6.75%

CONCLUSION

Other Reports and Questions

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