

Presentation to

# City of Killeen

Council Workshop | March 15, 2016

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# Today's Agenda

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

# Introductions



Weaver**Views**

# Engagement Leadership

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

Adam McCane  
Partner, Assurance Services

# Audit Process



# Audit Process



- The audit was performed in accordance with Generally Accepted Auditing Standards (GAAS), Generally Accepted Government Auditing Standards (GAGAS), and the Single Audit Act (U.S. Office of Management and Budget (OMB Circular A-133))
- 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 address risks. Examples include:
  - Federal revenues and expenditures and compliance requirements related thereto
  - Capital projects, purchasing, and compliance with bidding procedures
  - Payables, accrued liabilities and expenditures
  - Enterprise fund receivables and revenue

# Audit Process



- Interim fieldwork included:
  - Walkthrough of accounting controls over significant transaction cycles:
    - A. Cash Disbursements
    - B. Payroll Disbursements
    - C. Federal Cash Receipts
    - D. Municipal Court Receipts
    - E. Utility Billing Receipts
    - F. Investments
    - G. Budget and Financial Close Process
  - Test of accounting controls over:
    - A. Cash Disbursements
    - B. Capital Projects
    - C. Passenger Facility Charges
- Tests of compliance with the Public Funds Investment Act

# Audit Process



- Fieldwork procedures performed included:
  - Testing account balances. Testing methods included a combination of analytics, vouching of material transactions, and sampling
  - Evaluating estimates for reasonableness
  - Single Audit testing and completion of the passenger facility charges audit. Major programs consisted of 81% of total federal expenditures:
    - Community Development Block Grant Home Program
    - Highway Planning and Construction (Federal-Aid Highway Program for the Pass-thru Financing Project Highway)
  - Reviewing the CAFR and preparation of the single audit report and passenger facility charges report

# Auditor Results



Weaver**Views**

# Auditor Results



- We will issue the Independent Auditor's Report on the financial statements
  - ✓ Unmodified opinion or "clean" opinion
- We will issue 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
  - ✓ We plan to issue a unmodified report or "clean" report
- We will issue the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and the Passenger Facility Charge Audit Guide for Public Agencies
  - ✓ We plan to issue an unmodified opinion or "clean" opinion

# Auditor Communications

for the year ended September 30, 2015

Weaver**Views**

# Required Communications to Those in Charge of Governance



Communication	Results
<p>Auditor's responsibility under generally accepted auditing standards (GAAS)</p>	<p>The financial statements are the responsibility of the City. Our audit was designed to provide 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.</p> <p>The audit of the fiscal year 2015 financial statements has been substantially completed and we are prepared to issue a clean opinion.</p>

# 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 reports do 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 reports on the results of these procedures; however, our report does not express an opinion on compliance.

# Required Communications to Those in Charge of Governance



## Communication

Auditor Responsibility under OMB Circular A-133

## Results

Our testing includes all major federal financial assistance programs. We report on such testing, and disclose 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.

The audit of the fiscal year 2015 major federal financial assistance programs has been substantially completed. We are prepared to issue an unmodified opinion on compliance.

# 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 financial statements.

A new GASB pronouncement implemented in 2015, GASB Statement No. 68, resulted in a restatement of beginning net position. The implementation of this pronouncement requires recognizing the liability for the City's pension liability, which was previously only disclosed.

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 irregularities or illegal acts were noted.
Material weakness in internal control	No material weaknesses noted in financial reporting.
Other information contained in documents containing audited financial statements	We will provide an “in relation to opinion” on supplementary information accompanying the financial statements. We performed limited procedures on the required supplementary information. 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 allowance for uncollectibles, claims liabilities, pension and opeb assumptions, and estimated useful lives for capital assets were evaluated and determined to be reasonable in relation to the financial statements as a whole.

# Required Communications to Those in Charge of Governance



Communication	Results
Difficulties encountered	No difficulties or disagreements arose during the course of our audit.
Management representations	Management will provide certain representations that will be included in the management representation letter.
Management consultations	We are not aware of management consulting with other accountants for a second opinion.
Auditor independence	No independence issues noted.
Audit adjustments	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. No adjustments were posted as a result of our audit procedures.

# Financial Highlights



# Changes in the General Fund

in 000's

## General Fund- Balance Sheet (Exhibit A-3)

	2015	2014	\$ Change	% Change
Total assets	23,313	26,206	(2,893)	-11%
Total liabilities and deferred inflows	5,184	5,873	(689)	-12%
Total fund balance	18,129	20,333	(2,204)	-11%

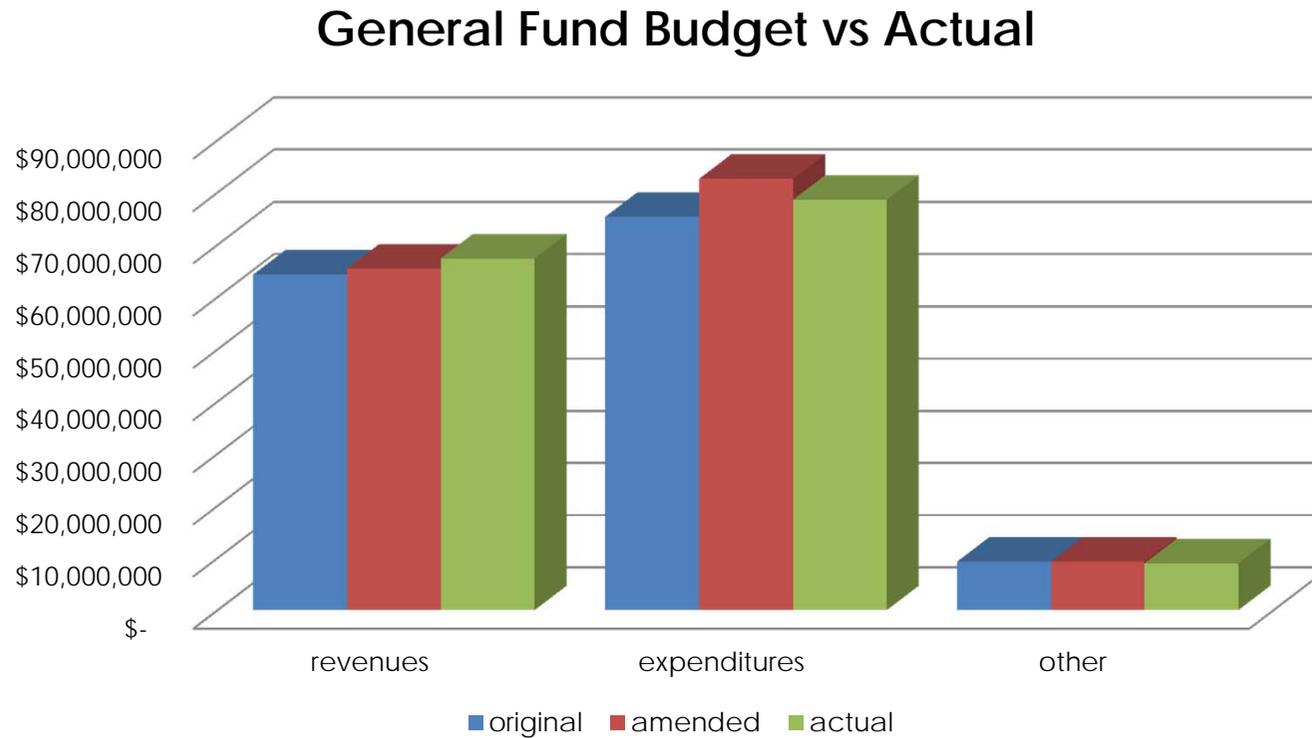
## General Fund- Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit A-5)

	2015	2014	\$ Change	% Change
Total revenues	67,381	62,987	4,394	7%
Total expenditures	(78,585)	(73,666)	(4,919)	7%
Other sources (uses)	9,000	8,677	323	4%
Net change in fund balance	(2,204)	(2,002)	(202)	10%

### General Fund Financial Highlights:

- Total fund balance represents 23.1% of total general fund expenditures. As a general practice, the City strives to maintain fund balance equal to 22% or above of operating expenditures.
- Increase in revenue is attributed to \$2.4M increase in tax collections and a \$2.2M increase in intergovernmental revenue.
- Increase in expenditures is attributed to \$3.6M increase in public safety costs, such as salaries, overtime, and equipment and a \$836k increase in capital outlay for the year.

# General Fund Budgetary Comparison (budget basis)



The City's expenditures did not exceed appropriations.

# Changes in the Enterprise Funds

in 000's

## Enterprise funds- Statement of Net Position (Exhibit A-7)

	2015	2014	%Change	% Change
Total assets & deferred outflows	307,742	309,640	(1,898)	-1%
Total liabilities & deferred inflows	92,802	87,174	5,628	6%
Total net position	214,940	222,466	(7,526)	-3%

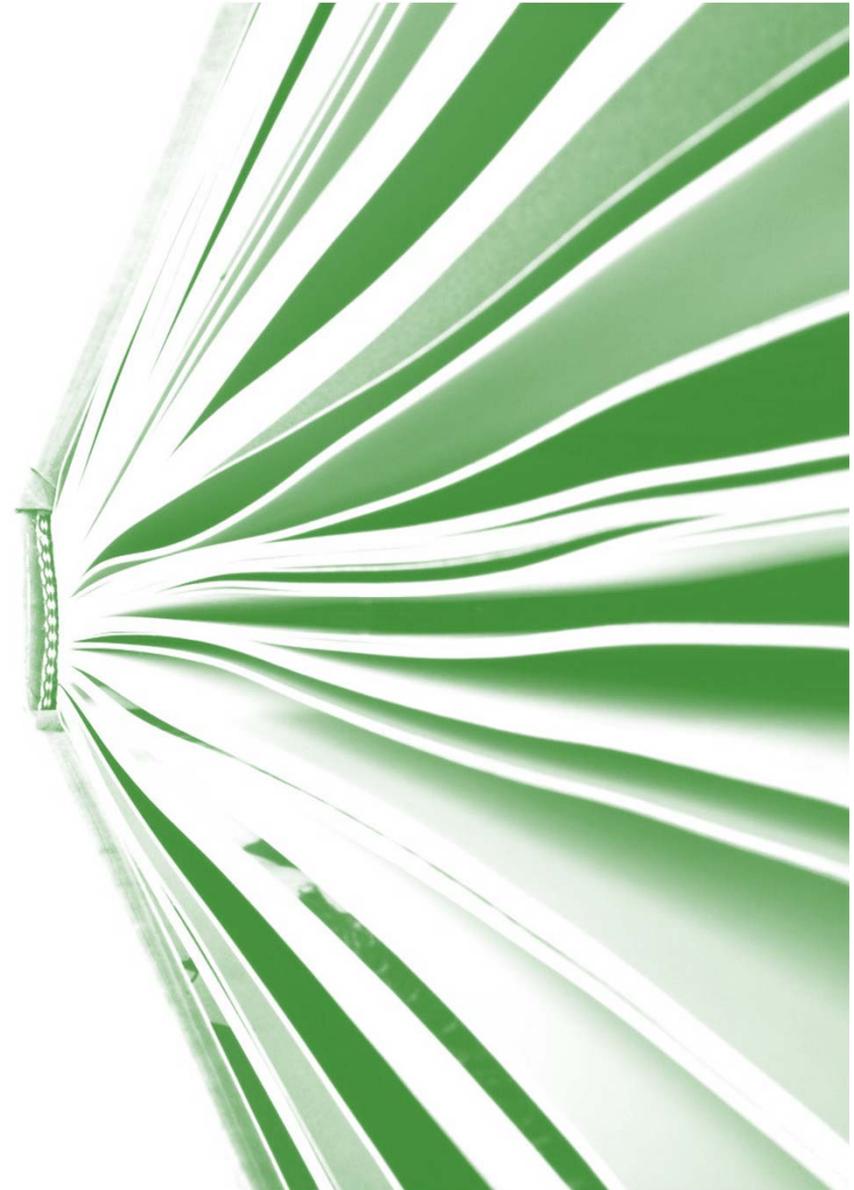
## Enterprise funds- Statement of Revenues, Expenses, and Changes in Net Position (Exhibit A-8)

	2015	2014	Change	% Change
operating revenues	61,522	58,991	2,531	4%
operating expenses	(53,352)	(51,763)	(1,589)	3%
nonoperating	(2,476)	(6,910)	4,434	-64%
capital contributions and transfers	(4,198)	(5,970)	1,772	-30%
change in net position	1,496	(5,652)	7,148	-126%

### Financial Highlights:

- Charges for services make up approximately 99% of operating revenues, primary increase was noted in the water and sewer fund
- Increased water and sewer costs made up the increase in operating expenses

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





Questions?

Contact Us

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