

City of Wylie

City Council Meeting

January 26, 2021



Overview

- ▶ Introduction
- ▶ Audit Results
- ▶ Audit Process
- ▶ Required Communications
- ▶ Financial Highlights
- ▶ Discussion

Engagement Team

City of Wylie

Audit Leadership

John DeBurro, CPA
Engagement Partner

- ✓ 20+ years of public accounting experience
- ✓ Dedicated to serving government clients

Ben Cohen, CPA
Audit Manager

- ✓ 10 years of public accounting experience
- ✓ Dedicated to serving government clients

Audit Staff

Flo Soto
Audit Senior III

Chase Parker
Senior Associate I

The background of the slide is a blurred, close-up photograph of a pencil resting on a stack of papers. The pencil is positioned diagonally, with its tip pointing towards the bottom left. The papers are stacked, with the top sheet showing some faint, illegible text. A green semi-transparent banner is overlaid across the upper portion of the image, containing the title text.

Audit Results

Weaver**Views**

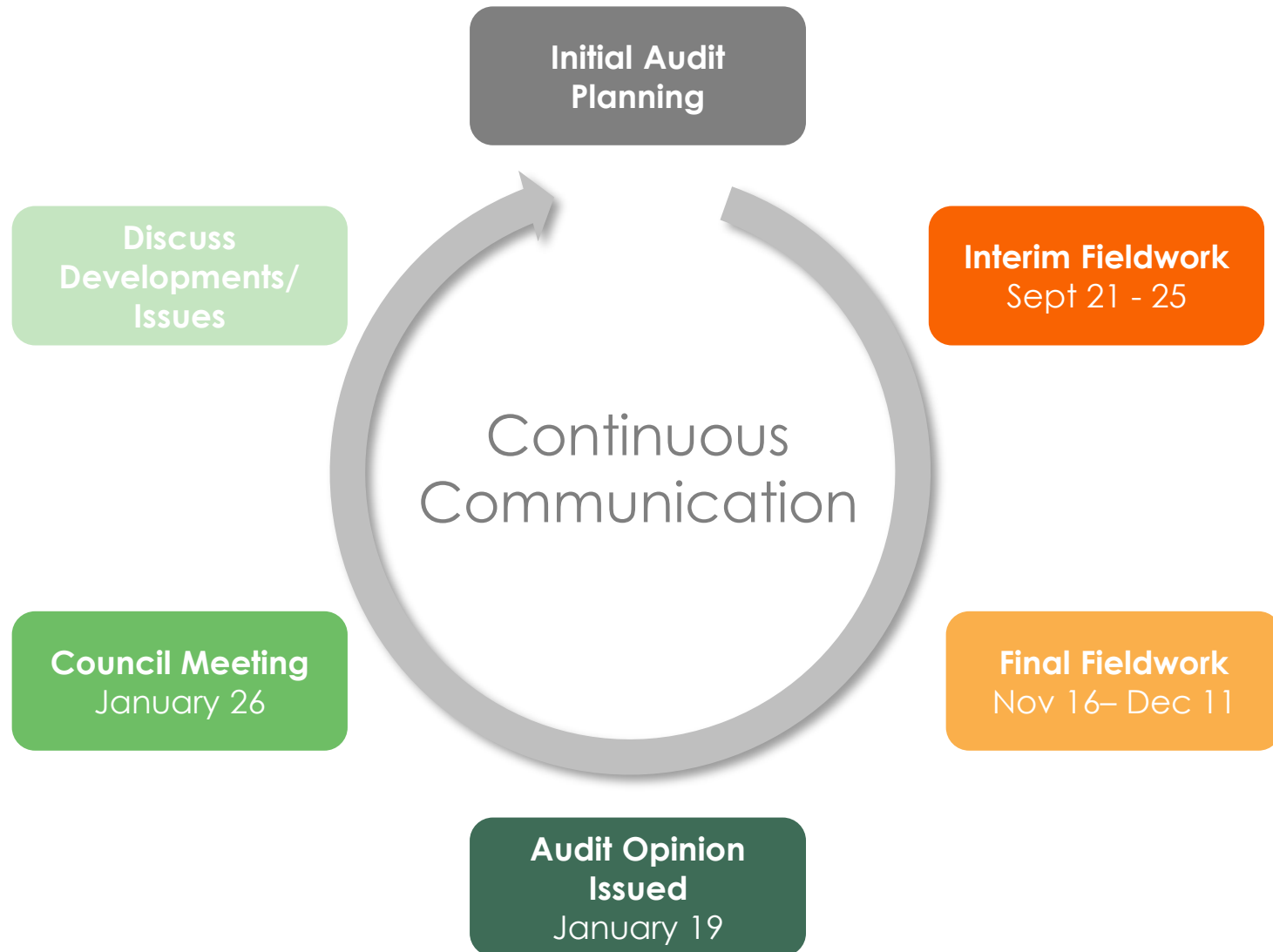
Auditor Results

- We issued the Independent Auditor's Report on the financial statements
 - **Unmodified Opinion**
- We 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 material weaknesses noted**
- We issued the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with Uniform Guidance
 - **Unmodified Opinion**
 - **No findings noted**

Audit Process



Engagement Timeline



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 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (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 areas of risk, such as:
 - Revenue recognition and related receivables
 - Capital projects, purchasing and compliance with bidding procedures
 - Payables, accrued liabilities, and expenditures
 - Effects of COVID -19



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

- Walkthroughs of accounting controls over significant transaction cycles:
 - A. Cash Disbursements and Purchases
 - B. Payroll Disbursements (including TMRS data)
 - C. Municipal Court Receipts
 - D. Utility Billing Receipts
 - E. Other receipts including Parks and Recreation
 - F. Budget and Financial Close Process
- Tests of compliance with the Public Funds Investment Act
- Control testing over cash disbursements and payroll

Final fieldwork- performed in November and December 2020 - Procedures included:

- Identification of major federal financial assistance program and testing of compliance and controls over compliance
- Major program:
 - **Coronavirus Relief Fund (CFDA# 21.019)**
- Testing account balances and current year activity using a combination of:
 - analytics, vouching of material transactions, and sampling
- Evaluating estimates for reasonableness
- Assistance with preparation of the comprehensive annual financial report (CAFR)
- Preparation of Schedule of Expenditures of Federal Awards



Auditor Communications

for the year ended September 30, 2020



Weaver**Views**

Required Communications to Those in Charge of Governance



Communication	Results
Generally accepted auditing standards	<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 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 is complete and we have issued an unmodified opinion.</p>

Required Communications to Those in Charge of Governance

Communication	Results
Generally accepted 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 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 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
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 financial statements.</p> <p>No new GASB pronouncements were required to be implemented in 2020.</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
Fraud and illegal acts	No material errors, 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 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 net pension and OPEB liabilities, allowance for uncollectible receivables, 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	We requested certain representations from management that were 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	<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 three passed adjustments noted during the audit related to timing of revenue recognition that were determined to be immaterial.</p> <p>We made no material audit adjustments as a result of our audit procedures.</p>



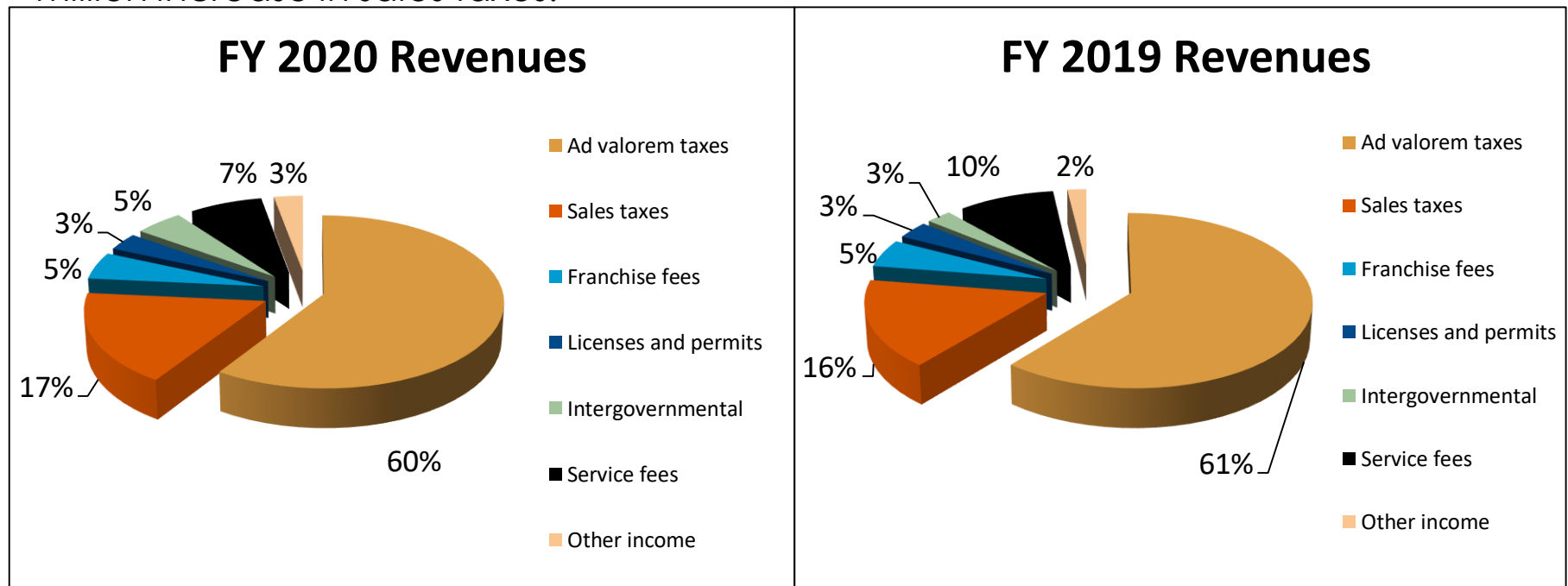
Financial Highlights

Weaver**Views**

Financial Highlights

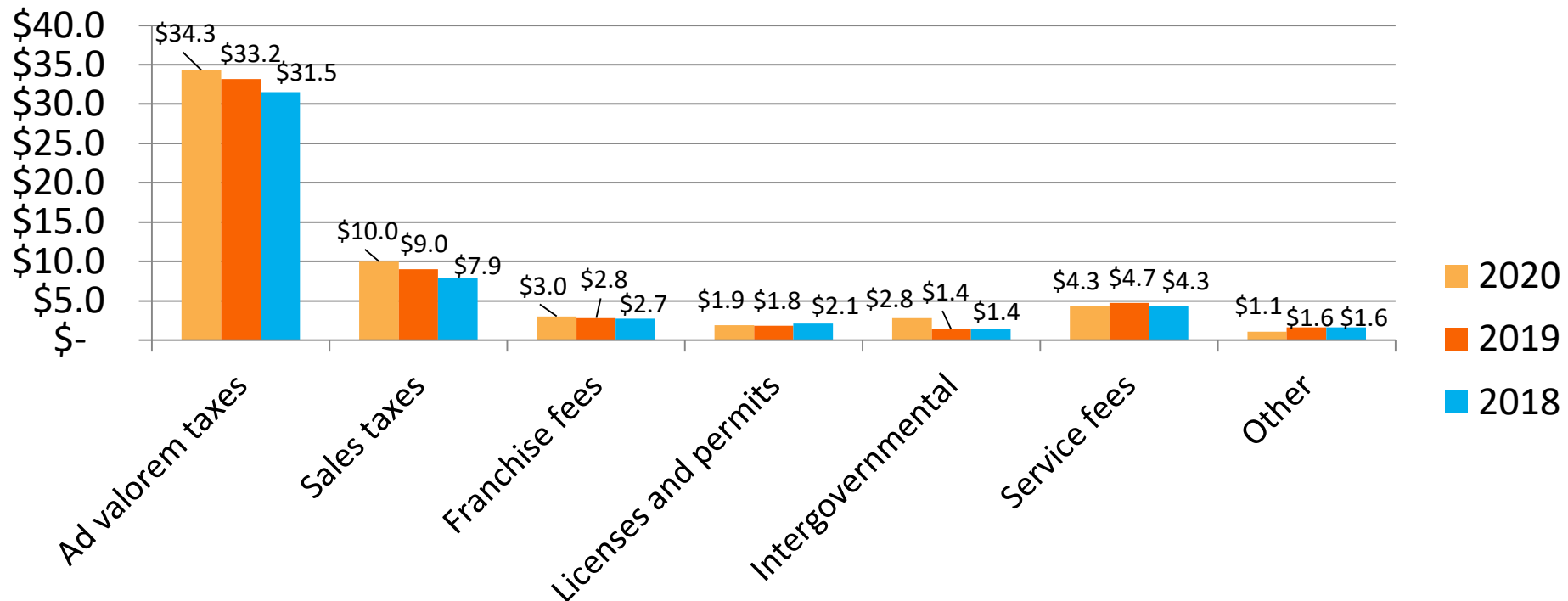
Comparison of Revenues by Source

Governmental Funds Revenues for the FY 2020 totaled \$57.4 million, a \$2.9 million or 5.4% increase. This increase is attributed primarily to a \$1.4 million increase in intergovernmental revenue, a \$1.1 million increase in ad valorem taxes and a \$1.0 million increase in sales taxes.



Financial Highlights

Comparison of Governmental Funds Revenues by Source

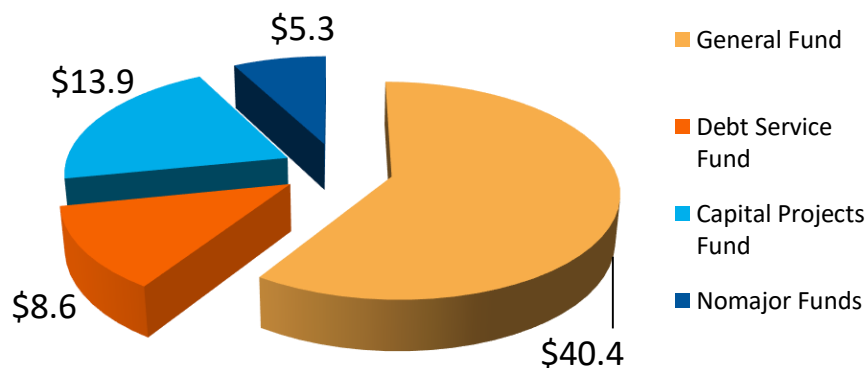


(3-year comparison in millions of dollars)

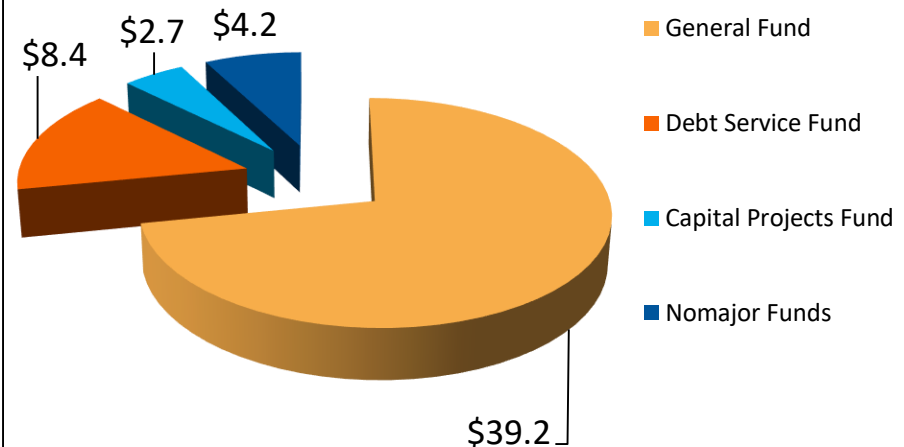
Financial Highlights

Comparison of Governmental Expenditures by Fund (In millions of dollars)

Fiscal Year 2020



Fiscal Year 2019

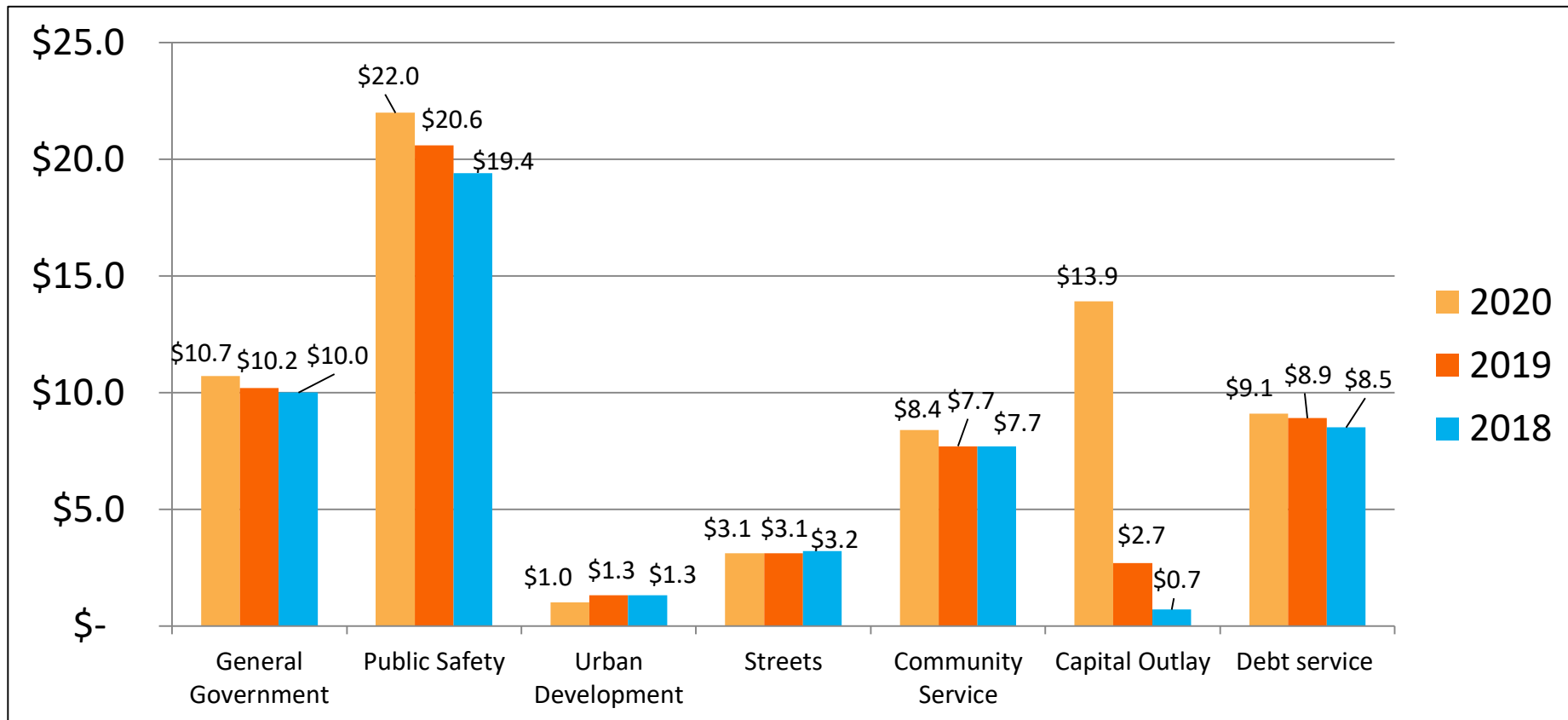


Governmental Funds Expenditures for FY2020 totaled \$68.2m, a \$13.7m or 25.1% increase.

- Capital outlay expenditures increased \$11.2 million.
- Public safety expenditures increased \$1.4 million.
- Community service costs increased by \$0.7 million

Financial Highlights

Comparison of Governmental Funds Expenditures *



*(3-year comparison in millions of dollars)

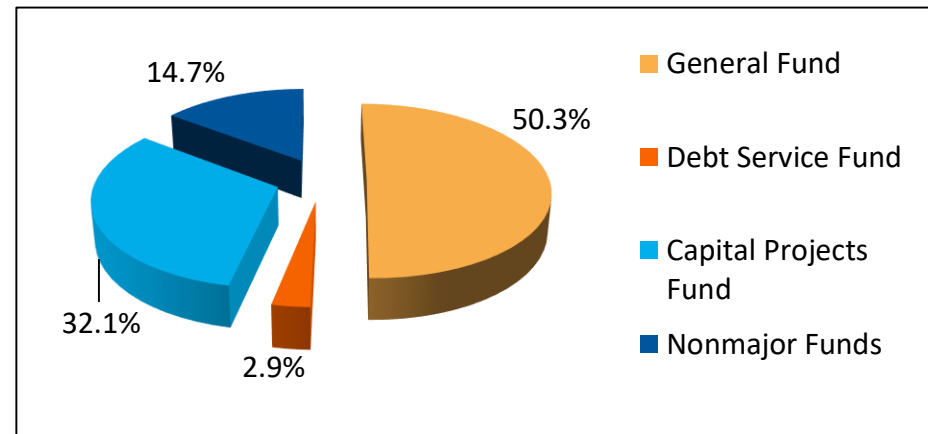
Financial Highlights

Fund Balances

Governmental Funds' Fund Balances

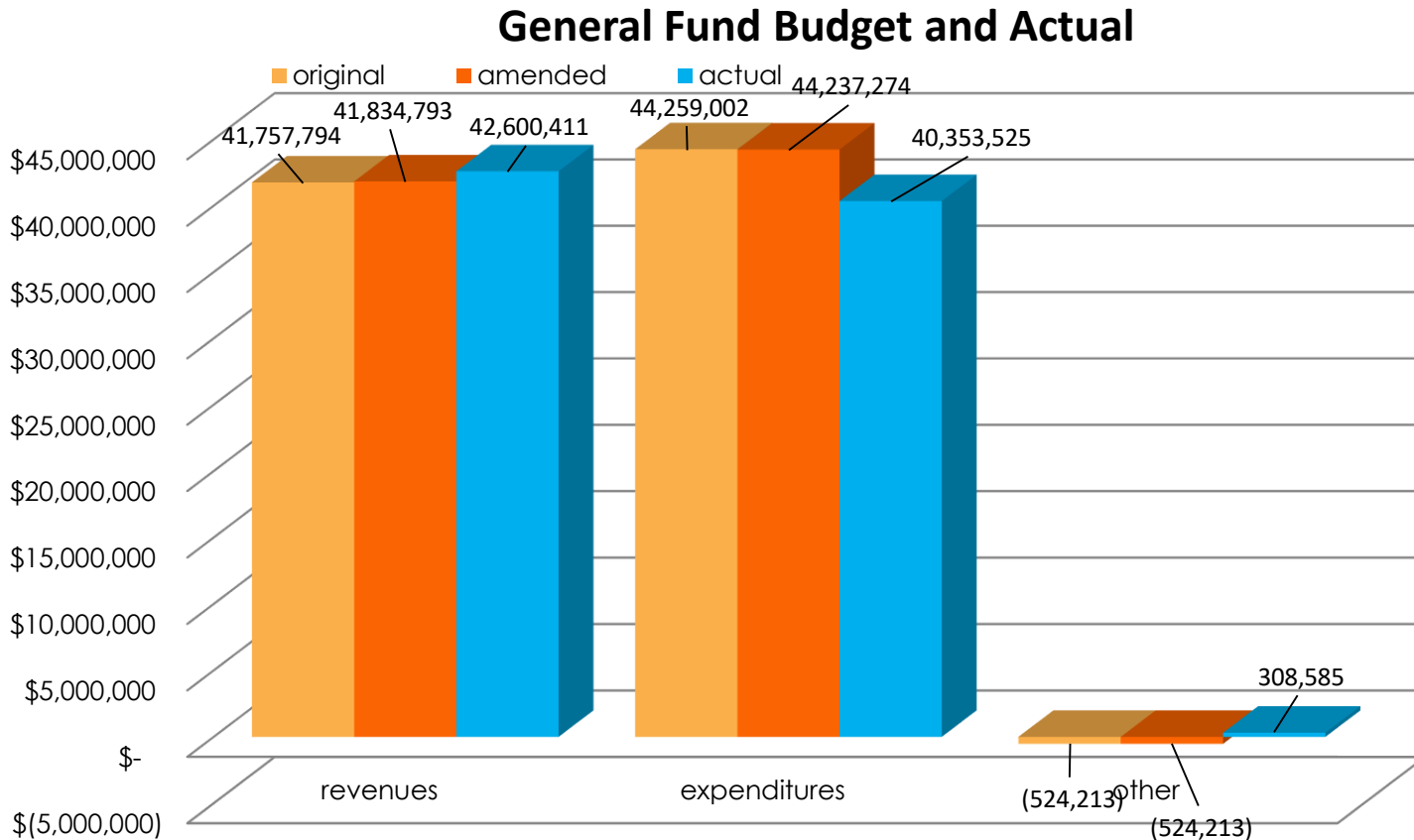
The City's governmental funds reported a combined ending fund balance of \$44.9 million at September 30, 2020 as follows:

• General Fund	\$22,597,954
• Debt Service	1,298,734
• Capital Projects	14,411,486
• Other Funds	<u>6,625,238</u>
	\$44,933,412



- Governmental funds' fund balance decreased by \$7.1 million, primarily due to a \$9.6 million decrease in the Capital Projects Fund, the result of the current year spending on the Public Safety Building Remodel and Expansion Project.
- Unassigned fund balance in the General Fund (\$21.9 million) represents 54% of general fund expenditures.

General Fund Budget vs Actual



Overall, favorable budgetary variance of \$5.5 million:

- Revenues exceeded budget by \$766K.
- Expenditures were \$3.9 million below budget.
- Other Financing Sources exceeded budget by \$0.8 million

Water and Sewer Fund- Current and Prior Year



Statement of Revenues, Expenses and Changes in Net Position- Water and Sewer Fund

	2,020	2,019	\$ Change	% Change
Operating revenues	\$ 23,047,261	\$ 20,662,507	\$ 2,384,754	12%
Operating expenses	(18,317,087)	(17,218,137)	1,098,950	6%
(Net) Nonoperating revenue (expense)	(69,182)	206,806	(275,988)	-133%
Transfers and contributions	3,184,933	509,803	2,675,130	525%
Change in net position	<u>\$ 7,845,925</u>	<u>\$ 4,160,979</u>	<u>3,684,946</u>	<u>89%</u>

Net position increased by \$7.8 million over prior year

- Operating revenues increased \$2.4 million –primarily due to rate increases and increased consumption.
- Operating expenses increased \$1.1 million– primarily due to increases in cost of water purchases (\$257K) and sewer treatment costs (\$174K).
- Transfers and contributions – net increase of \$2.7 million – primarily due to a \$2.3 million increase in capital contributions.

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



Discussion



Contact Us

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