

Town of Fairview

Council Meeting

March 3, 2015



Overview

- Introduction
- Audit Process
- Required Communications
- Audit Results
- Areas of Strength and Accomplishment
- Financial Highlights
- New Accounting Pronouncements
- Questions

Introductions



Weaver**Views**

The Firm of Texas



Weaver is the largest independent accounting firm in Texas and the Southwest. We are consistently named a top firm in the state and nationally.

#4 Largest **Tarrant County** Accounting Firms | *Fort Worth Business Press*

#8 Largest **North Texas** Accounting Firms | *Dallas Business Journal*

#7 Largest **Austin** Accounting Firms | *Austin Business Journal*

#14 Largest **Houston-Area** Public Accounting Firms | *Houston Business Journal*

#5 Largest **San Antonio** Accounting Firms | *San Antonio Business Journal*

2014 **Top 50** Firms | *INSIDE Public Accounting*

2014 **BEST of the BEST** Firm | *INSIDE Public Accounting*



7 Texas
Offices

500+
Employees

65+
Partners

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

Jerry Gaither

Partner, Assurance Services

John DeBurro

Senior Manager, Assurance Services

Engagement Team

Town of Fairview

Jerry Gaither, CPA
Public Sector Leader

Audit

John DeBurro, CPA
Audit Senior Manager

Claire Adams, CPA
Audit Senior II

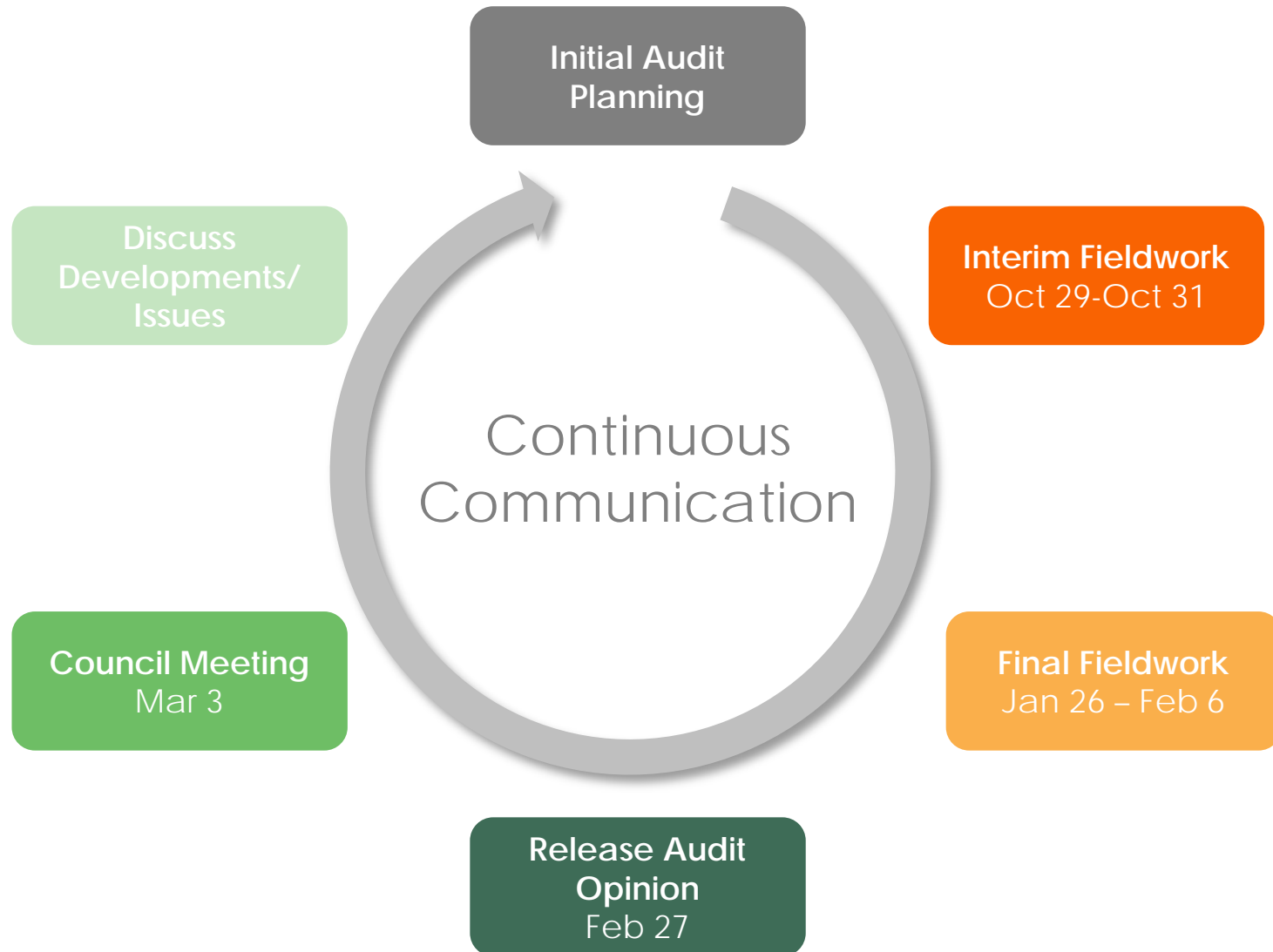
Consulting

Marlon Williams, CPA
Advisory Services -ACL Data Specialist

Audit Process



Engagement Timeline



Audit Process

- The audit was performed in accordance with **Generally Accepted Auditing Standards (GAAS)** and **Generally Accepted Government Auditing Standards (GAGAS)**
- 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



Interim fieldwork and risk assessment were performed in October 2014. Procedures included:

- Walkthrough of accounting controls over significant transaction cycles:
 - Budget
 - Purchasing and Accounts Payable
 - Payroll
 - Cash Receipts – taxes, municipal court, utility billing
- Test of internal controls:
 - Cash disbursements
 - Payroll
- Test of compliance
 - Public Funds Investment Act
 - Bidding procedures

Final fieldwork- performed in January/February 2015 Procedures included:

- Testing of significant account balances using a combination of vouching of material transactions, sampling transactions and applying analytical procedures.
- Assisting with the preparation of the financial statements.

A stack of books is shown in a black and white, slightly blurred perspective. An orange horizontal band is overlaid across the middle of the image. The text is centered within this band.

Auditor Communications

for the year ended September 30, 2014

Weaver**Views**

Required Communications to Those in Charge of Governance



Communication

Auditor's responsibility under generally accepted auditing standards (GAAS)

Results

The financial statements are the responsibility of the Town. 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.

The audit of the fiscal year 2014 financial statements has been completed and we have issued an unmodified opinion.

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 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 issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.

No findings noted.

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 Town are described in Note 1 to the basic financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2014.

We noted no transactions entered into by the Town 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 fraud, 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 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.
Management judgments and accounting estimates	Management's estimates of uncollectible receivables and useful lives of capital assets were evaluated and determined to be reasonable in relation to the financial statements as a whole.
Management representations	We requested certain representation from management that were included in the management representation letter.

Required Communications to Those in Charge of Governance

Communication	Results
Difficulties encountered	No significant difficulties were encountered during our audit.
Management consultations	We are not aware of management consulting with other accountants for a second opinion.
Auditor independence	No independence issues noted.
Disagreements with Management	No disagreements arose over the course of our audit.

Required Communications to Those in Charge of Governance



Communication	Results
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. No material adjustments have been posted as a result of our audit.</p> <p>The schedule on page 19 summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.</p>
Other material written communications between Weaver and Tidwell, L.L.P., and the Town	Nothing to note.

Required Communications to Those in Charge of Governance



Uncorrected Misstatements:

Account	Description	Debit	Credit
Proposed JE # 3001			
To record a PAJE for the amount of building deposit escrow refunds run through current year that was due to prior years.			
10-000-3910-00	FUND BALANCE - UNRESERVED	58,586.00	
10-000-2460-00	DEVELOPER/BUILDER DEP/REFUNDS		58,586.00
Total		<u>58,586.00</u>	<u>58,586.00</u>
Proposed JE # 3002			
To record the effects of negative cash entry in the solid waste fund			
10-00-1270-WT	DUE FROM OTHER FUNDS	29,153.00	
25-000-2100-00	ACCOUNTS PAYABLE	29,153.00	
10-000-1001-00	CLAIM ON CASH		29,153.00
25-000-2170-WT	DUE TO OTHER FUNDS		29,153.00
Total		<u>58,306.00</u>	<u>58,306.00</u>



Auditor Results

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
 - We reported one significant deficiency related to the economic development agreement with Villages at Fairview, L.P. We recommended that management review the agreement and refine the model used to track activity related to it, incorporating any controls necessary, to ensure that the Town correctly pays and accounts for, amounts due under the agreement.

Areas of Strength and Accomplishments

- Management knowledgeable in municipal finance
- Full cooperation of Town staff
- No material weaknesses in internal controls

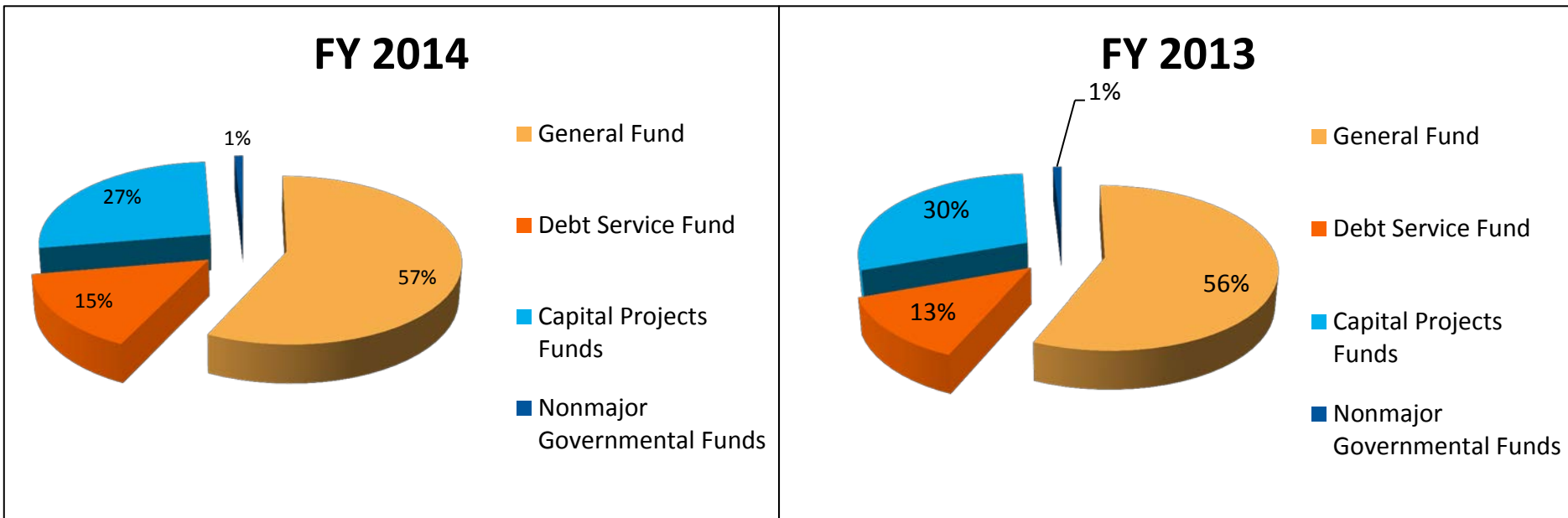


Financial Highlights



Financial Highlights

Comparison of Governmental Funds Expenditures by Fund (in millions of dollars)

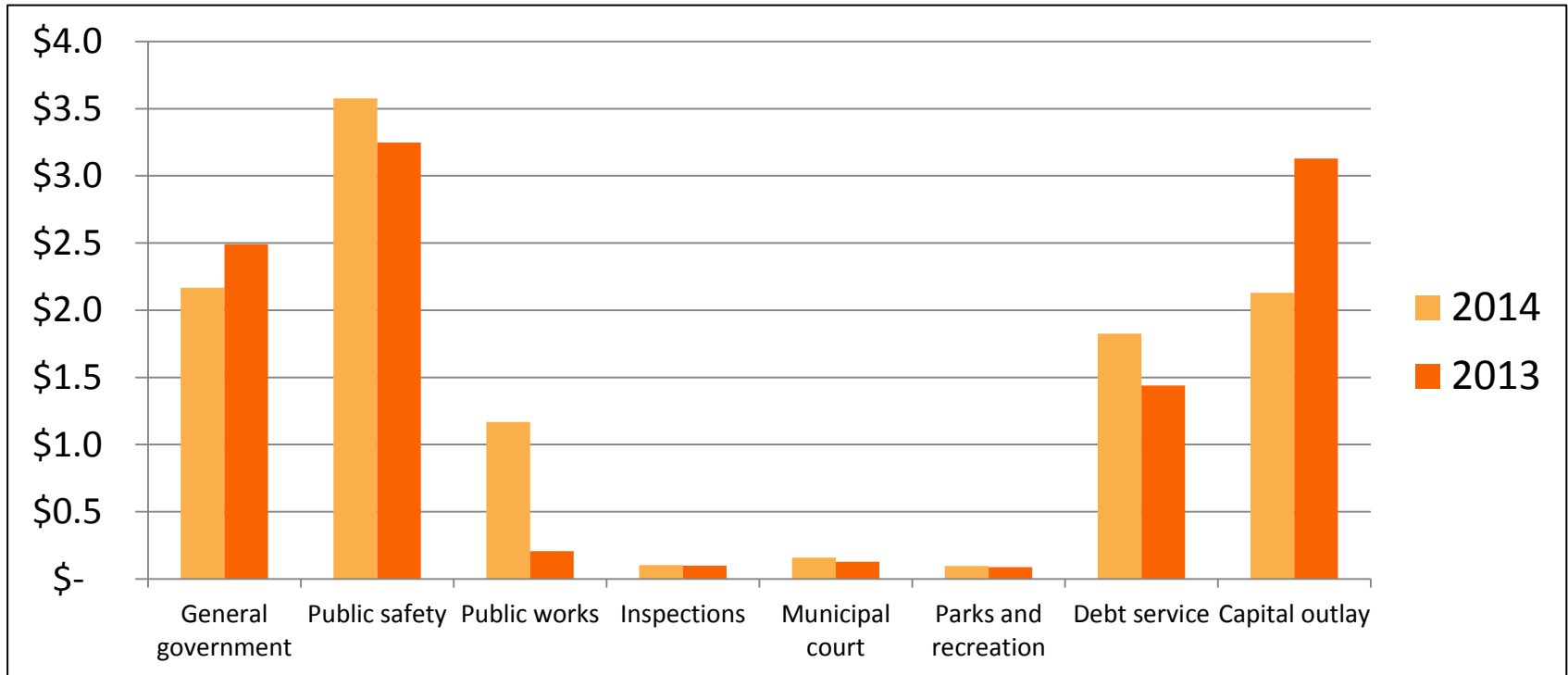


Governmental Funds Expenditures for FY 2014 totaled \$11.2 million, a \$0.4 million or 4% increase

- Public works increased \$962K over FY13, due in part to a \$640K payment to Collin County representing the Town's share of the Stacy Road construction project costs.
- Debt service costs increased by \$385K due to new bond issuances.
- Capital outlay decreased \$1.0m as infrastructure and building projects were completed in FY13.
- Public safety costs increased \$329K due primarily to increased staffing, capital, and outsourcing fire dispatch.

Financial Highlights

Comparison of Governmental Funds Expenditures



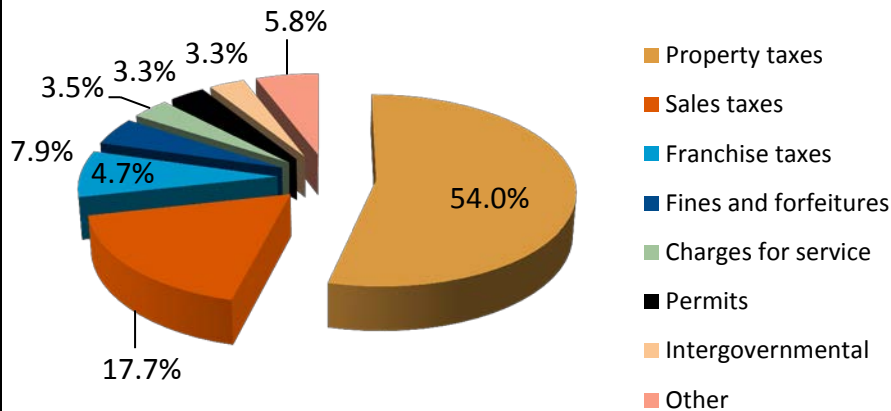
(2-year comparison – current year and prior year – in millions)

Financial Highlights

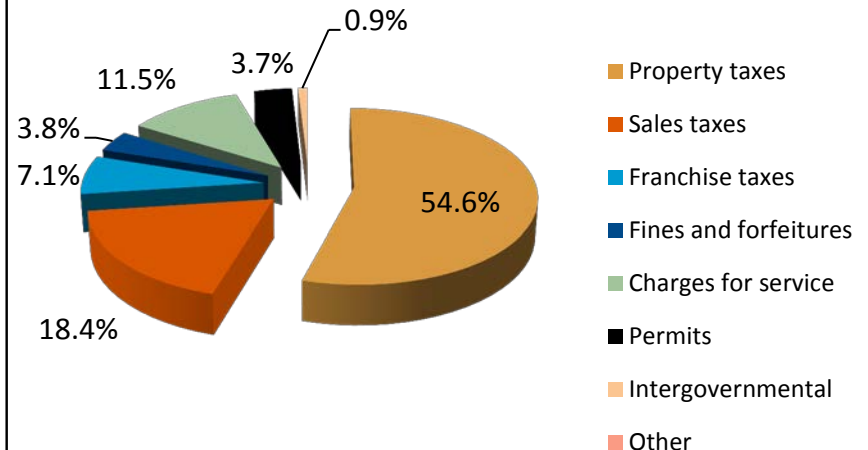
Comparison of Governmental Revenues by Source

Governmental Revenues for FY 2014 totaled \$8.2 million, a \$15K or 0.2% decrease. Decrease is primarily attributable to the solid waste fund, which reported \$586K in the prior year, being reported as an Enterprise Fund in FY14, netted against increases in revenue sources such as intergovernmental (\$183K), property taxes (\$138K), and other (\$128K).

FY 2014 Revenues

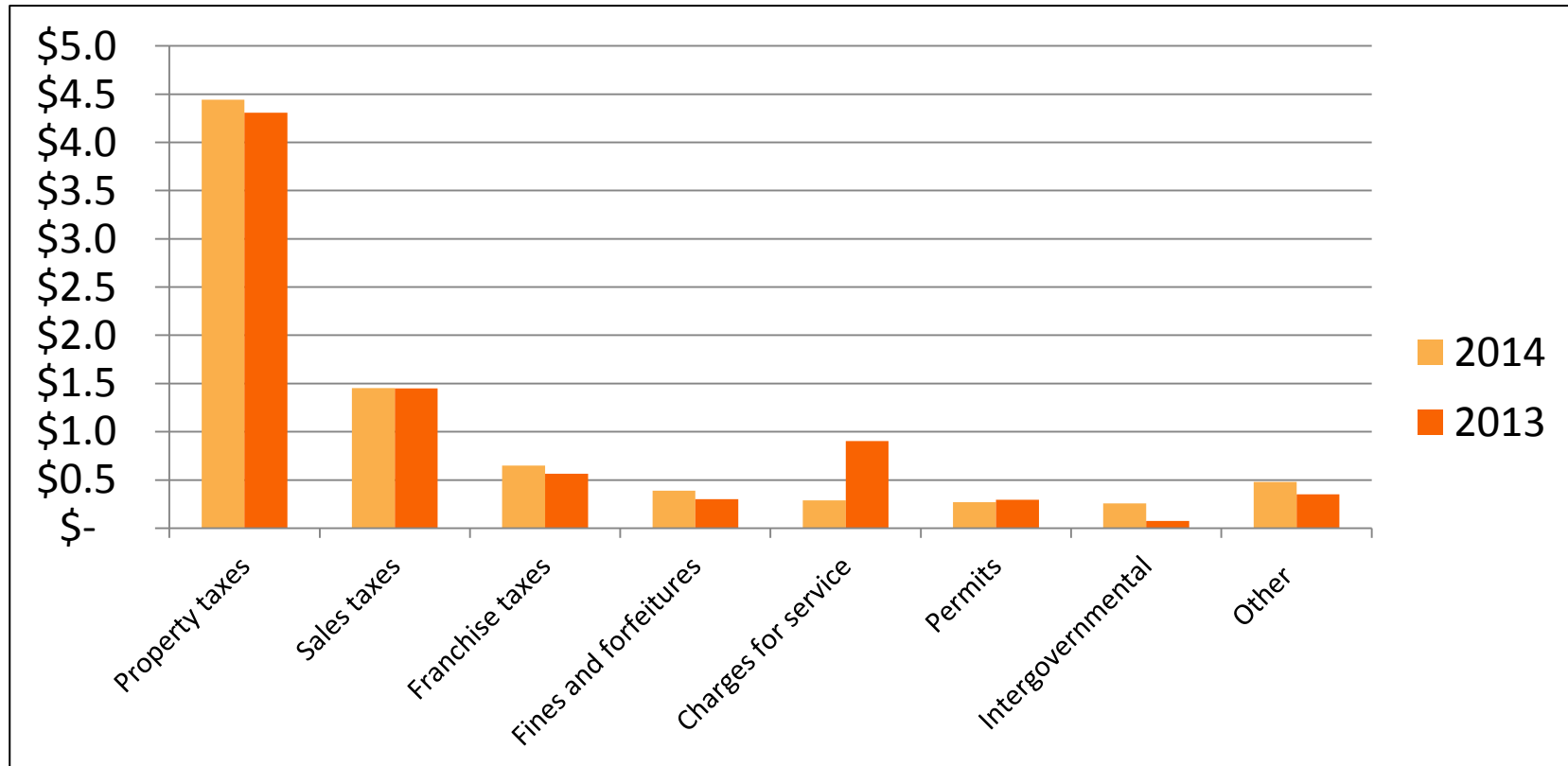


FY 2013 Revenues



Financial Highlights

Comparison of Governmental Revenues by Source



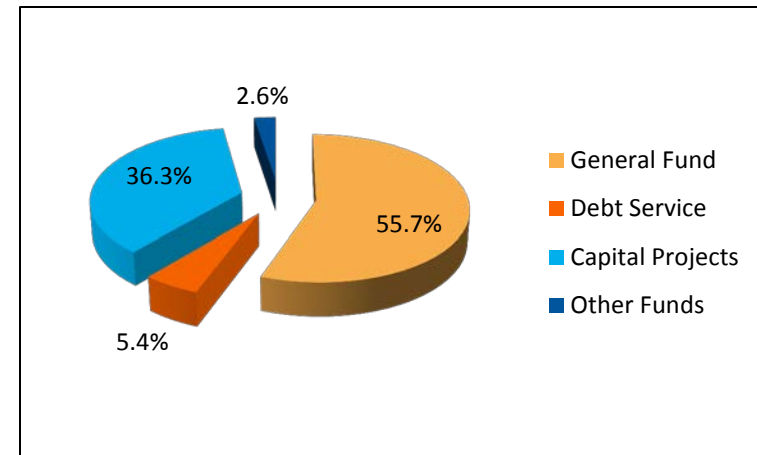
(2-year comparison – current year and prior year – in millions)

Financial Highlights

Fund Balances

Governmental Funds' Fund Balances

As of September 30, 2014, the Town's governmental funds reported a combined ending fund balance of \$7.1 million as follows:



- Overall, fund balance of the Governmental Funds increased by \$1.1 million, primarily the result of a \$1.4 million increase in capital projects fund due to issuance of \$3.6 million bonds to fund road and street construction.
- General Fund fund balance decreased by \$267K during fiscal year 2014. The ending balance, \$3,957,207, represents 62% of fiscal year 2014 General Fund expenditures.

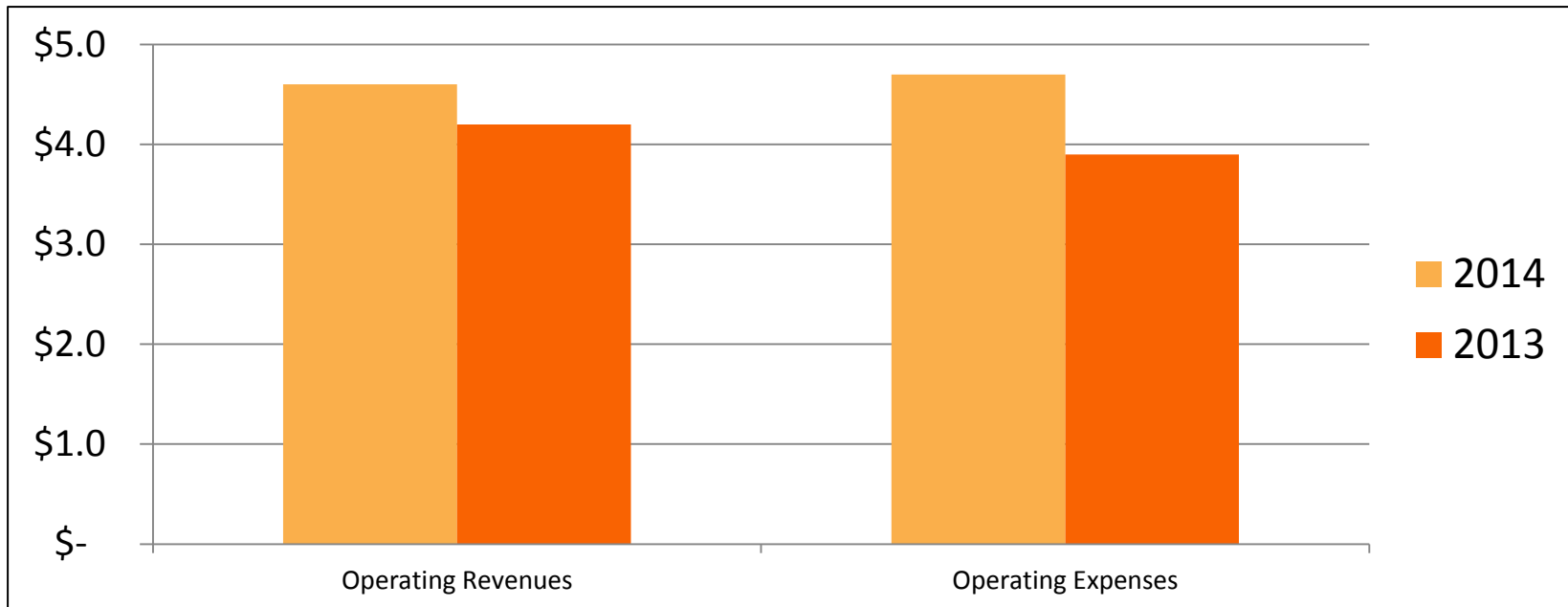
Budgetary Highlights – General Fund

The Town had a favorable budget variance of \$34K (net change in fund balance):

- Actual revenues were \$74K more than budgeted.
 - Franchise taxes were \$54 more than budgeted.
 - Sales taxes were \$53K more than budgeted.
- Actual expenditures were \$40K more than budgeted.

Financial Highlights

Comparison of Proprietary Funds Operating Revenues and Expenses – FY 2014 and FY2013 (in millions)



- Proprietary funds net position decreased by \$725K during fiscal year 2014, primarily the result of decreased consumption and a \$561K transfer to the General Fund.
- Operating revenues and expenses increased \$487K and \$851, respectively, primarily due to the Solid Waste Funds, which was previously being reported as part of the General Fund, as a proprietary fund in FY14.

Standards Required to be Implemented in FY2015

Effective for the year ended September 30, 2015

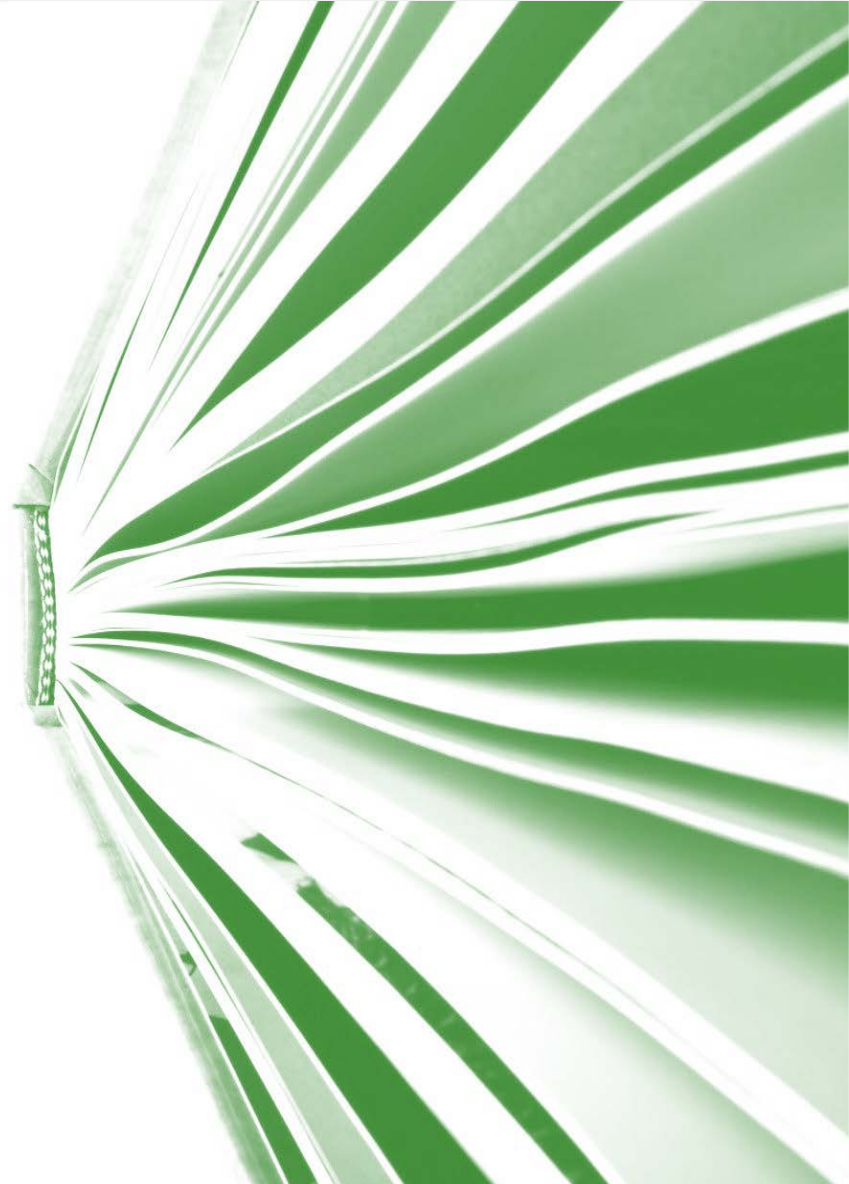
GASB 68 – Accounting and Financial Reporting for Pensions

- **Objective:** to improve financial reporting by state and local governmental pension plans
- **Effect:** GASB 68 will require the recognition of net pension liabilities of employers in financial statements prepared on the accrual basis.

GASB 71 – Pension Transition for Contributions made Subsequent to the Measurement Date-an Amendment to GASB 68

- **Objective:** to address an issue regarding application of the transition provisions of GASB 68. The statement requires that when transitioning to the new pension standards, the entity recognize a beginning deferred outflow of resources for the pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation.
- **Effect:** GASB 68 will require the Town to recognize the beginning deferred outflow concurrent with the recognition of the net pension liabilities

We appreciate the
opportunity to work with
Town of Fairview
and look forward to our
continued relationship.





Questions?

Contact Us

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