

City of Denton, Texas

FY 2017 Audit Process and Results



Outline



- Sections of Comprehensive Annual Financial Report
- Auditor opinion on financial statements
- Test of Controls
- Other Control Related Procedures
- Internal Control Understanding and Walkthroughs
- Cash and Investments
- Tax, Customer and Other Receivables
- Capital Assets
- Long-Term Liabilities
- Revenues and Expenditures
- Results



SECTIONS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT



Sections of the CAFR:

- Introductory Section
- Financial Section
- Statistical Section
- Single Audit Package- Issued Separately



AUDITOR OPINION ON FINANCIAL STATEMENTS



- Unmodified opinion of financial statement
- Government Audit Standards applicable for FY 2017
 - No material noncompliance
 - No material weaknesses or significant deficiencies with controls over financial reporting
- Federal and State Single Audit for FY 2017
 - No material noncompliance
 - No material weaknesses or significant deficiencies with controls over financial reporting
- SAS 114 Letter contains all required communications with governance



TEST OF CONTROLS

Test of Controls:

- Cash Disbursements
- Payroll
- Credit Cards
- Municipal Court
- Pension Liability
- Utility Billing





OTHER CONTROL RELATED PROCEDURES



Other Control Related Procedures:

- 15 Fraud Interviews with various City Staff
- Animal Shelter – Already changed procedures
- Director of IT – Gained understanding of IT and related processes



INTERNAL CONTROL AND WALKTHROUGHS



Internal Control Understanding and Walkthroughs:

- UB/ Customer Service
- Municipal Court
- Animal Services
- Parks Administration
- Building Inspections
- Electric
- Landfill
- Purchasing
- Risk Management
- Payroll
- Treasury
- Budget
- IT
- Cash Disbursements
- Financial Close/Reporting
- Capital Assets



CASH AND INVESTMENTS



Cash and Investments:

- Confirmed all accounts with financial institutions
- Confirmed all investments with Harvest TIV – GASB 72 Clarification
- Tested all material account reconciliations
- Confirmed compliance with PFIA



TAX, CUSTOMER AND OTHER RECEIVABLES

Tax, Customer and Other Receivables:



- Confirmed property receivables and revenue with Denton County
- Confirmed sales tax receivables and revenue with State of Texas
- Tested unbilled utility revenues
- Tested subsequent receipts for utility billing – confirmations not feasible
- Tested calculation of allowance for uncollectables



CAPITAL ASSETS



Capital Assets:

- Tested walkforward of all capital assets
- Tested additions for purchasing and compliance procedures
- Tested disposals for proper documentations and procedures
- Tested depreciation for allocation and clerical accuracy
- Made sure depreciation methods were in line with City policy



LONG-TERM LIABILITIES



Long-Term Liabilities:

- Confirmed outstanding debt balances with third party
- Test new debt for allocation and proper reporting
- Tested and confirmed both unfunded pension liabilities
- Tested census data that was sent to pension administrators
- Tested OPEB Liability with GRS actuarial data
- Difference between UAAL and NPO
- Recalculated and analytically reviewed compensated absences



REVENUE AND EXPENDITURES



Revenue and Expenditures:

- Confirmed all practical and material revenues and expenditures
- Compared balances to prior year and budget-documented variances
- Detailed analytics on payroll expenditures
- Confirmed all debt services expenditures – Principal and Interest
- Recalculated depreciation expenses
- Reconciled capital outlay expenditures to capital additions



RESULTS

Current Year

- City had deferred inflows and outflows netted for the pension plans
- City had negative restricted fund balance for special revenue funds
- All reporting issues corrected before final draft was presented



Prior Year Comments:

- Correction to prior year Municipal Court receivable was not run properly - Corrected
- Discovered some IT policies that we recommend formal authorization - Corrected
- Grant identification and SEFA reporting improvements - expanded prior year discussion - Corrected
- Retainage payable- correction in governmental funds for multi-year projects - Corrected
- Credit card testing – minor inconsistencies with current policies. Policy changed after year end. – Corrected



Results (cont.):

- All personnel were very professional and helpful
- Very good controls in all areas tested
- Financial information from Finance Department very accurate and timely
- CAFR done at high level of expertise