



## Legislation Text

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### Agenda Information Sheet

**DEPARTMENT:** Finance

**ACM:** Bryan Langley

**Date:** March 7, 2017

#### **SUBJECT**

Receive a report, hold a discussion, and give staff direction regarding the FY 2015-16 Comprehensive Annual Financial Report and annual audit.

#### **BACKGROUND**

Each year, the City hires an independent accounting firm to conduct an audit of the City's basic financial statements. The purpose of the audit is to express an opinion as to whether the City's financial statements present fairly, in all material respects, the financial position of the City. The annual audit report is comprised of four major components: 1) the Comprehensive Annual Financial Report (CAFR), 2) Management Letter (when appropriate), 3) Single Audit, and 4) Auditor's Communication to the Audit Committee.

The CAFR represents the entire financial position of the City, specifically for the fiscal year ending September 30, 2016. The document includes the independent auditor's opinion of management's representations within the annual report. The auditors have provided the City a clean opinion (unqualified), which means that in the opinion of Pattillo, Brown & Hill, L.L.P. the City's financial statements present fairly, in all material respects, the financial position of the City. A clean or unqualified opinion is the best opinion that may be rendered in an audit of the financial statements. The audit specifically included the following items:

- Audit of the City's CAFR in accordance with generally accepted auditing standards.
- Performance of a Single Audit, which is an audit of the City's expenditures of State and Federal grant awards.
- An evaluation of the City's internal control over financial reporting.

The auditor's examination of internal controls was conducted at a level sufficient to gain an understanding of the internal control structure to determine the nature, timing, and extent of audit procedures. The auditors did not perform an audit of internal controls, but performed limited tests of internal controls for the purpose of providing an opinion on the financial statements. Additionally, the auditors examined, on a test basis, evidence supporting amounts and disclosures in the combined financial statements. The City did not receive a management letter as there were no material weaknesses or recommendations for strengthening controls identified.

The following points are highlighted as key financial information from the CAFR:

#### 1. Overall positive financial results

2. Unassigned General Fund balance
  - \$28.070 million
  - 25.4 % of FY 2015-16 final budgeted expenditures
  - \$705,315 increase from prior year.
3. Net Unrestricted Position of Enterprise Funds (Utility Funds)
  - \$140.0 million
  - \$27.4 million increase from prior year.

Representatives from Pattillo, Brown & Hill, L.L.P. will be present at the Audit/Finance Committee meeting to provide their opinion and to answer any questions that you may have.

### **STRATEGIC PLAN RELATIONSHIP**

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

**Related Key Focus Area:   Organizational Excellence**  
**Related Goal:               1.1 Manage financial resources in a responsible manner**

### **EXHIBITS**

- Exhibit 1: FY 2015-16 CAFR
- Exhibit 2: Single Audit Report
- Exhibit 3: Auditor's Communication

Respectfully submitted:  
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Director of Finance