

City of Denton

City Council Meeting

April 5, 2022



Overview

- ▶ Introduction
- ▶ Audit Process
- ▶ Audit Results and Communications
- ▶ Discussion



John DeBurro, CPA | Partner

- ▶ Audit engagement partner
- ▶ 20+ years of experience
- ▶ Practice emphasis in auditing cities, school districts, and nonprofit agencies

Bryant Sanchez, CPA | Manager

- ▶ Audit manager
- ▶ 7+ years of experience
- ▶ Practice emphasis in auditing cities, school districts and institutes of higher education

THERE WHEN YOU NEED US.

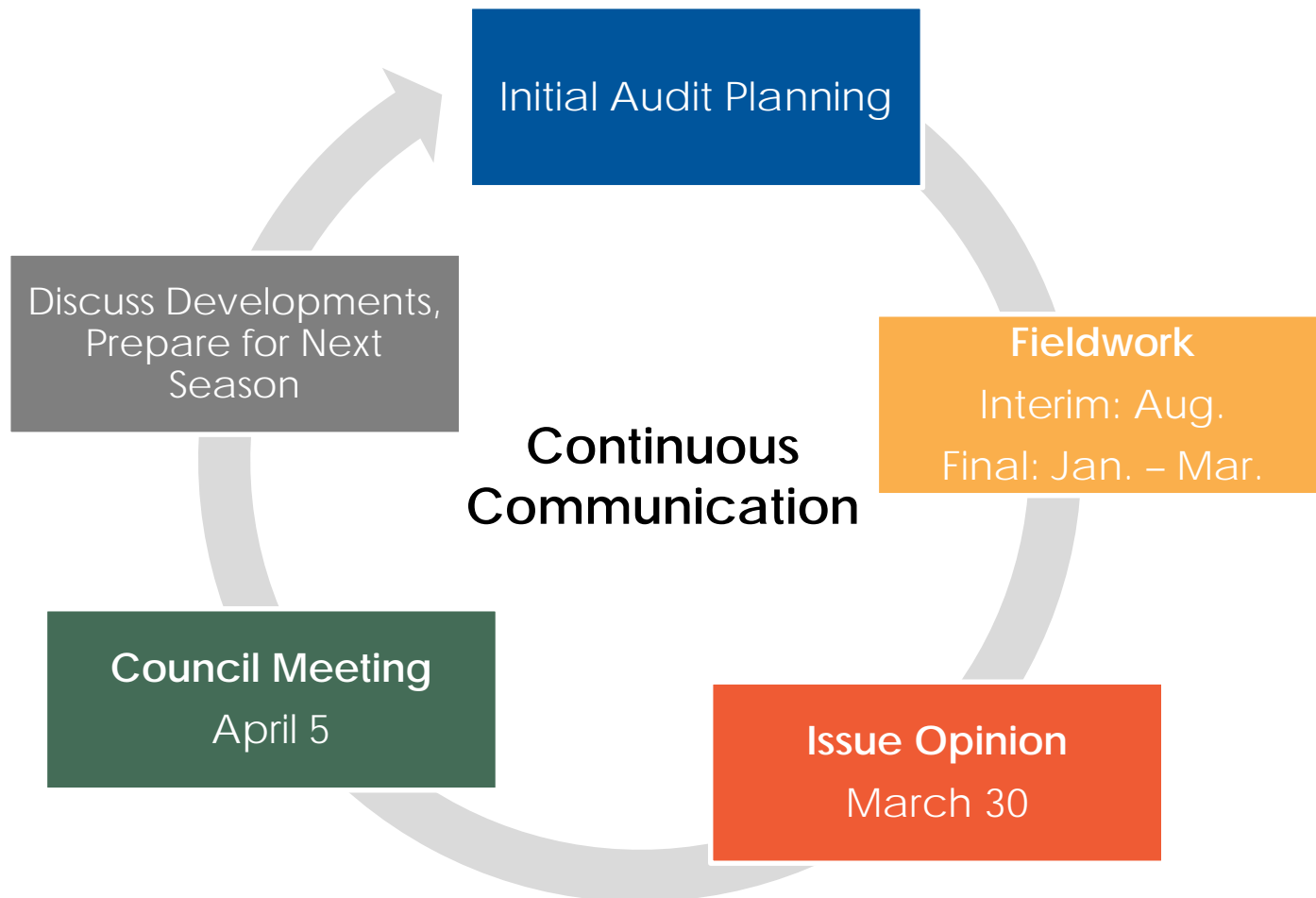
Remember: Weaver is your auditor all year; we are always available to answer routine questions.



The image features four interlocking puzzle pieces arranged in a cluster. The pieces are colored red, yellow, cyan, and lime green. The text "AUDIT PROCESS" is overlaid on the lime green piece.

AUDIT PROCESS

The Audit Cycle



Audit Process



Audit Standards — Performed the audit in accordance with Generally Accepted Auditing Standards (GAAS) and Generally Accepted Government Auditing Standards (GAGAS).



Single Audit — Performed the single audit of federal awards in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Performed the single audit of state awards in accordance with State of Texas Uniform Grant Management Standards (State Grants).



Compliance — Performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, including items such as compliance with PFIA .

Audit Process

- ▶ **Risk-based approach** focused on specific risks:
 - » Revenue recognition and related receivables
 - » Capital projects, purchasing, and compliance with bidding procedures
 - » Unrecorded liabilities
 - » Evaluation of significant estimates
 - » Federal and state revenues and expenditures and compliance with related grant requirements

- ▶ **Walked through controls** over significant transaction cycles
- ▶ **Tested internal controls** over payroll and cash disbursements
- ▶ **Performed transaction-specific data mining** over journal entries



Audit Process

▶ Other Areas Tested include:

- Fraud and non-compliance inquiries were made during the planning process and throughout our audit
- **Federal Single Audit** – Major Programs:
 - Community Development Block Grant (CDBG), Coronavirus Relief Fund (CRF), Emergency Solutions Grant (ESG), Home Investment Partnerships Programs (HOME)
- **State Single Audit** – Major Program: Regional Toll Revenue (RTR) projects
- Information technology – review of processes and controls
- Utility Bill recalculations
- Adequacy of disclosures
- Long-term debt, including review of new issuances
- Tax revenues and collections
- Allowance for doubtful accounts
- Capital assets
- Investments
- Compliance with Public Funds Investment Act
- Employee compensation
- Enterprise Funds operating revenues and expenses
- Landfill closure and post-closure estimate



AUDIT RESULTS AND COMMUNICATIONS

Audit Results:

FINANCIAL STATEMENTS

Type of Report Issued:	UNMODIFIED
Internal control over financial reporting:	
Any material weakness(es) identified?	NO
Any significant deficiencies that are not material weaknesses?	NONE REPORTED
Any noted noncompliance material to financial statements?	NO

Audit Results:

FEDERAL AND STATE AWARDS



Type of Report Issued:	UNMODIFIED
Type of Auditee:	LOW RISK
Internal control over major programs:	
Any material weakness(es) identified?	NO
Any significant deficiencies that are not material weaknesses?	NO
Any audit findings required to be reported under 2 CFR 200.516(a)?	NO

Federal Major Programs: Community Development Block Grant (CDBG), Coronavirus Relief Fund (CRF), Emergency Solutions Grant (ESG), Home Investment Partnerships Programs (HOME)

State Major Program: Regional Toll Revenue (RTR) Transportation Projects

Required Communications



Communication	Description
<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 in accordance with GAAS in the U.S. and 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. Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>The audit of the fiscal year 2021 financial statements has been completed and we have issued an unmodified opinion.</p>

Required Communications



Communication	Description
Auditor's responsibility under 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



Communication	Description
<p>Auditor Responsibility under Uniform Guidance (Federal) and Uniform Grants Management Standards (State)</p>	<p>Our testing includes the major federal and state programs. We report on such testing, and disclose significant deficiencies in internal control over compliance, including material weaknesses we identify, if any. 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 and state financial assistance programs have been administered in compliance with applicable laws and regulations.</p> <p>The audit of the fiscal year 2021 major federal and state financial assistance programs has been completed and we have issued unmodified opinions.</p>

Required Communications



Communication

Unusual transactions and the adoption of new accounting principles

New GASB Statements

Results

The significant accounting policies used by the City are described in Note 1 to the financial statements.

GASB 84 was implemented in FY 2021, resulting in funds previously reported as agency funds now being reported as part of the General Fund.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

FY 2022 – GASB 87: Leases, GASB 93: Replacement of Interbank Offered Rate

FY 2023 – GASB 91: Conduit Debt Obligations

Required Communications



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 dated March 30, 2022.
Auditor independence	No independence issues 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 allowances for uncollectible receivables; estimated useful lives of capital assets; pension, OPEB, landfill closure/post-closure and IBNR liabilities, and the fair value of investments were evaluated and determined to be reasonable in relation to the financial statements as a whole.

Required Communications



Communication	Results
Audit adjustments and Passed 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 no passed adjustments noted during the audit.</p> <p>There were no adjusting entries required as a result of our audit procedures.</p>
Other material written communications between Weaver and Tidwell, L.L.P., and the City of Denton	Nothing to note

DISCUSSION

Contact Us



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