

City of Lewisville

City Council Meeting

March 18, 2024



Overview

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

Engagement Leadership



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

John DeBurro, CPA

Partner, Assurance Services

Lauren Futch, CPA

Manager,
Assurance Services

Engagement Team



The background of the slide features a close-up, sepia-toned photograph of a pencil tip resting on a piece of paper. A semi-transparent green horizontal band is positioned across the upper portion of the image, serving as a backdrop for the title text.

Audit Results

Weaver**Views**

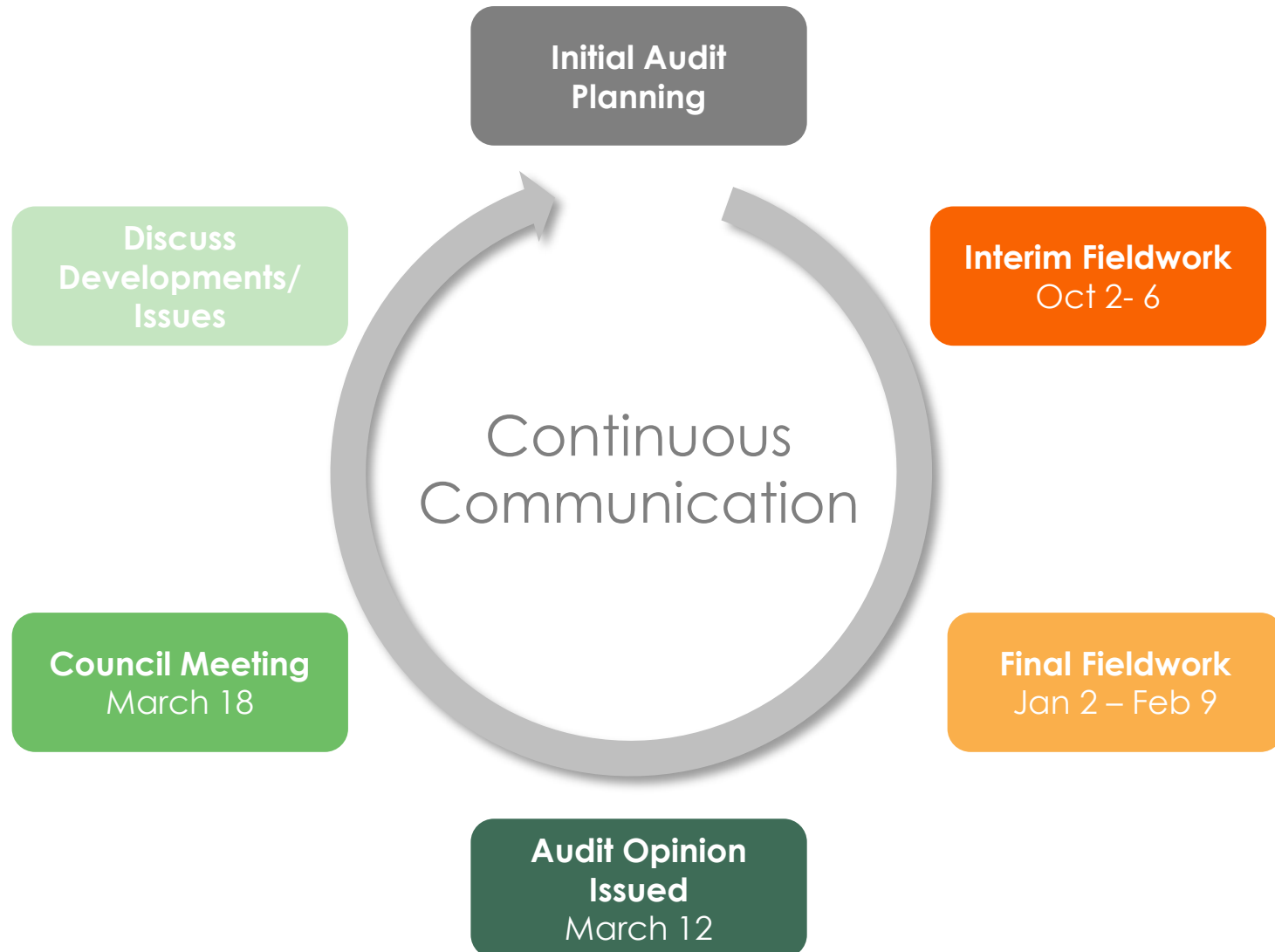
Audit Results

- 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 findings noted**
- We issued the Independent Auditor's Reports on Compliance for Each Major Federal and State Program and Reports on Internal Control over Compliance and on the Schedules of Expenditures of Federal and State Awards in Accordance with The Uniform Guidance and Texas Grant Management Standards
 - ✓ **No findings noted**
 - ✓ **Unmodified Opinion**

Audit Process



Engagement Timeline



Audit Process

- The audit was performed in accordance with **Generally Accepted Auditing Standards (GAAS)**, **Generally Accepted Government Auditing Standards (GAGAS)**, **Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards** (The Uniform Guidance) and **State Awards** (Texas Grant Management Standards)
- 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
 - Federal and state grant revenues and expenditures
 - Capital projects, purchasing and compliance with bidding procedures
 - Payables, accrued liabilities, and expenditures
 - Long-term liabilities (i.e. bonds payable)



Interim fieldwork and risk assessment were performed in October 2023. Procedures included:

- **Interim fieldwork** included:
 - Walkthroughs of accounting controls over significant transaction cycles:
 - A. Cash Disbursements and Purchases
 - B. Payroll Disbursements (including TMRS data)
 - C. Investments
 - D. Receipts - Municipal Court, Utility Billing, Taxes, Permits
 - E. Budget and Financial Close Process
 - **Tests of compliance** with the Public Funds Investment Act
 - **Control testing** over cash disbursements and payroll transactions
 - **Testing** of capital projects

Final fieldwork- performed in January / February 2024

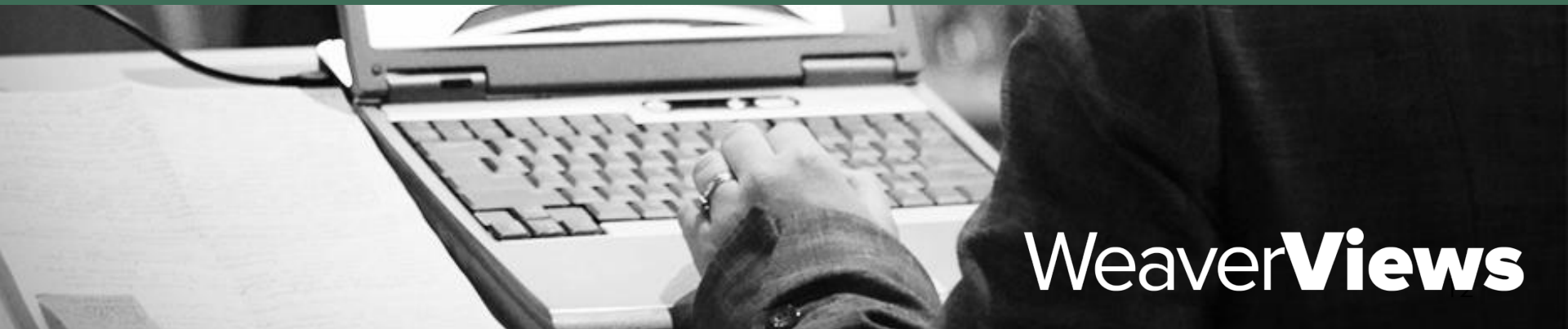
- Procedures included:

- **Testing account balances and current year activity** using a combination of:
 - analytics,
 - vouching of material transactions, and
 - Sampling
- **Evaluating estimates** for reasonableness
- Identification and testing of the City's **major federal program**:
 - **Coronavirus State and Local Fiscal Recovery Funds**– CFDA# 21.027 - \$2,746,696
- Identification and testing of the City's **major state programs**:
 - **Corporate Drive – FM 544 to Josey** - \$8,383,319
 - **TIFMAS 2023 Border Support** - \$751,896



Auditor Communications

for the year ended September 30, 2023



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 2023 financial statements is complete and we have issued an unmodified (clean) 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 (Federal) and Texas Grants Management Standards (State)	<p>Our testing includes all major federal and state financial assistance programs. We report on such testing and disclose any significant deficiencies in internal control over compliance, including material weaknesses we identify. Our reports do not provide assurance on internal control over compliance. We perform procedures for the purpose of expressing opinions on whether major federal and state financial assistance programs have been administered in compliance with applicable laws and regulations.</p> <p>The audits of the fiscal year 2023 major federal and state financial assistance programs have been completed and we have issued unmodified (clean) opinions.</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>During fiscal year 2023, the City implemented GASB Statement No. 96, “<i>Subscription-Based Information Technology Arrangements (SBITAs)</i>” which establishes a framework for reporting for subscription-based technology arrangements for government end users. As a result, implementation of this pronouncement had no impact on the City’s 2023 financial statements.</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 Incurred-but-not-reported (IBNR) workers' comp, health, and dental claims; 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	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 corrected or uncorrected misstatements identified during our audit.



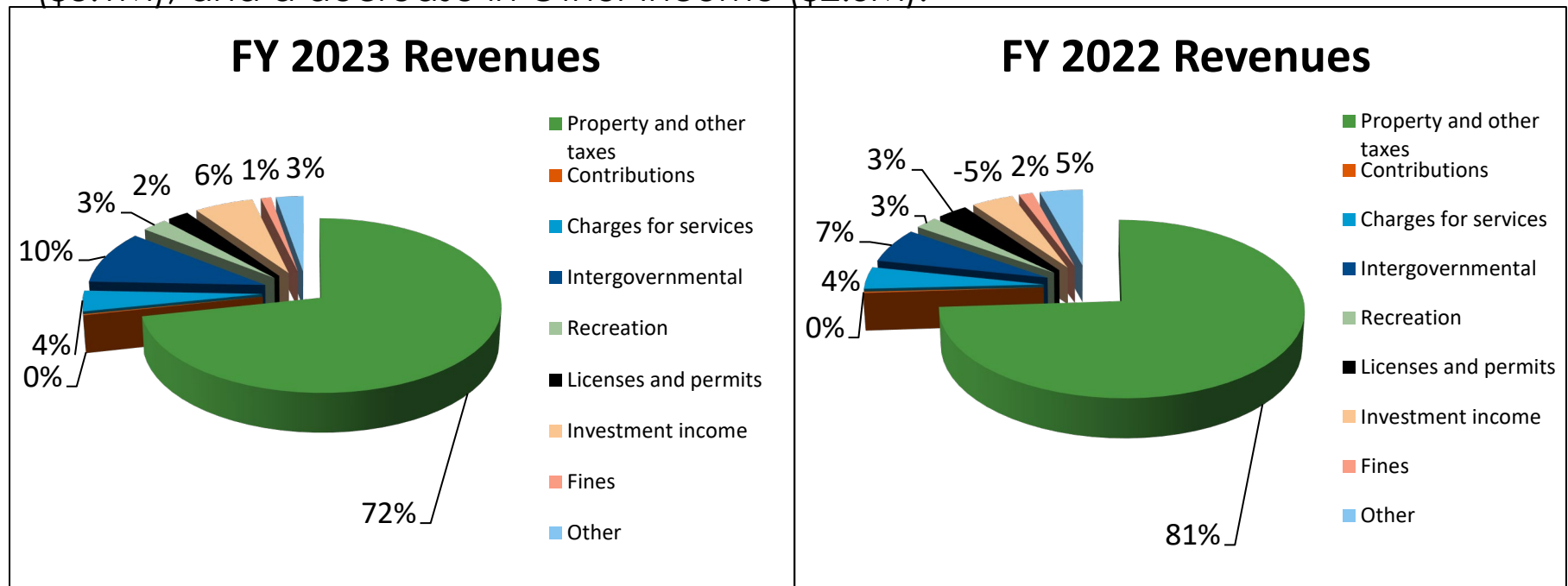
Financial Highlights

Weaver**Views**

Financial Highlights

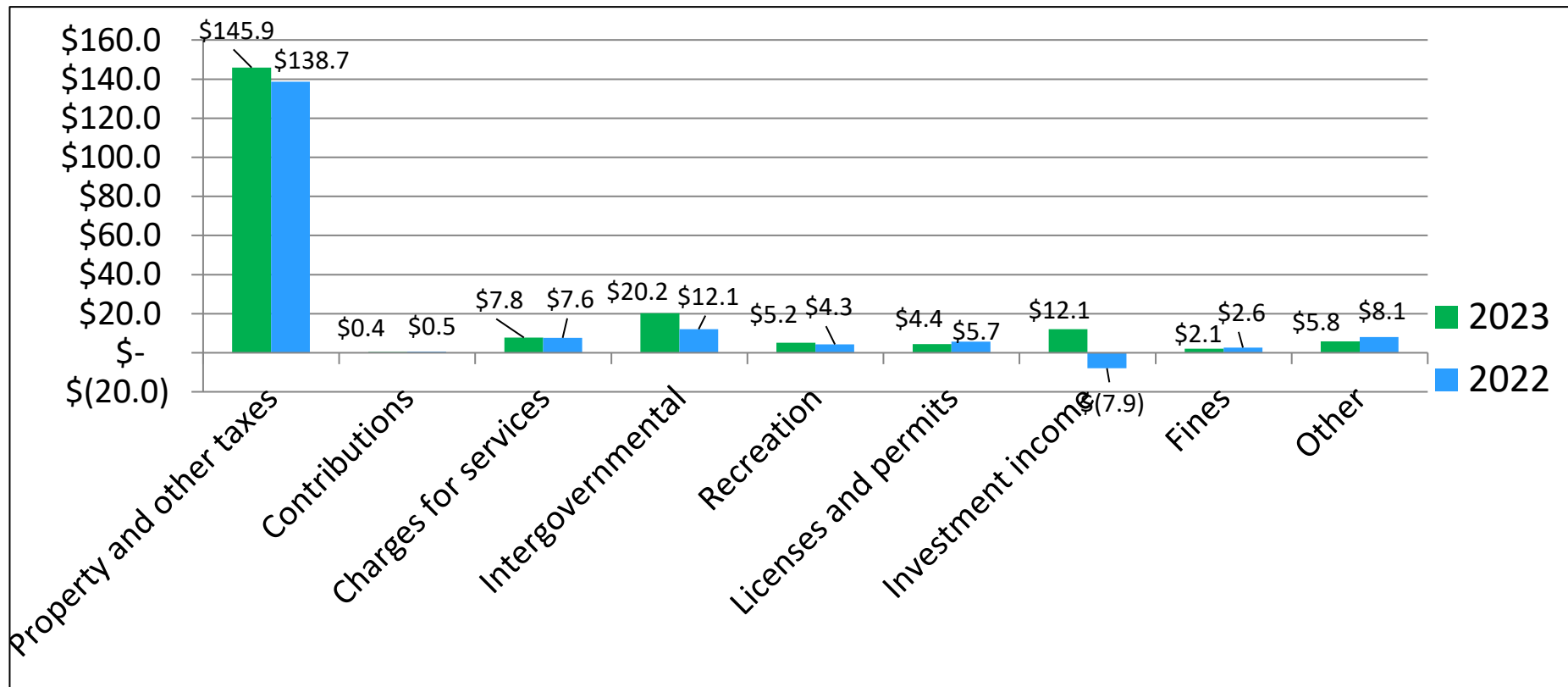
Comparison of Governmental Revenues by Source

Governmental Funds Revenues for the FY 2023 totaled \$203.9 million, a \$32.2 million or 18.8% increase. This increase is primarily the net effect of increases in Property and Other Taxes (\$7.2M), Investment Income (\$20.0M), and Intergovernmental Revenue (\$8.1M), and a decrease in Other Income (\$2.3M).



Financial Highlights

Comparison of Governmental Funds Revenues by Source

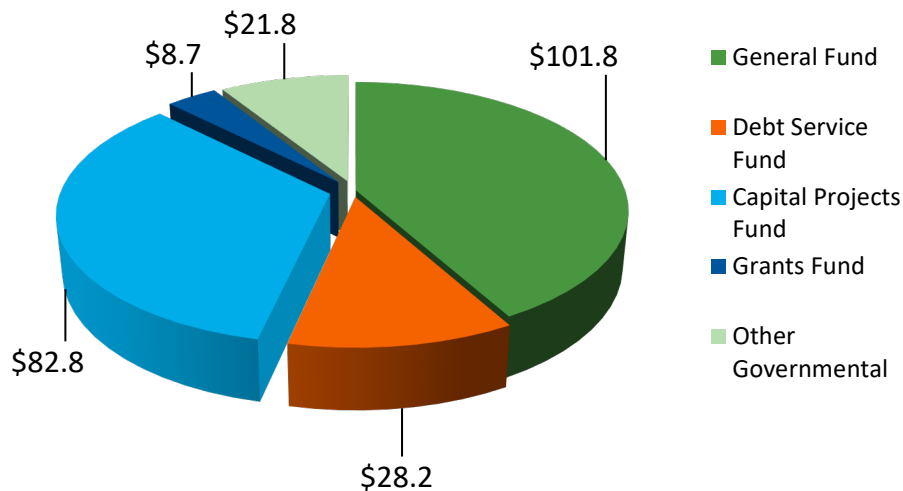


(2-year comparison in millions of dollars)

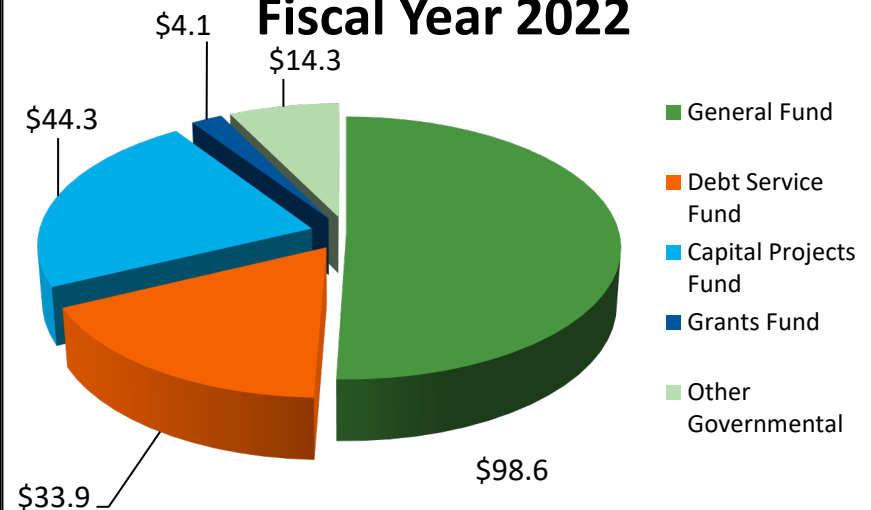
Financial Highlights

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

Fiscal Year 2023



Fiscal Year 2022

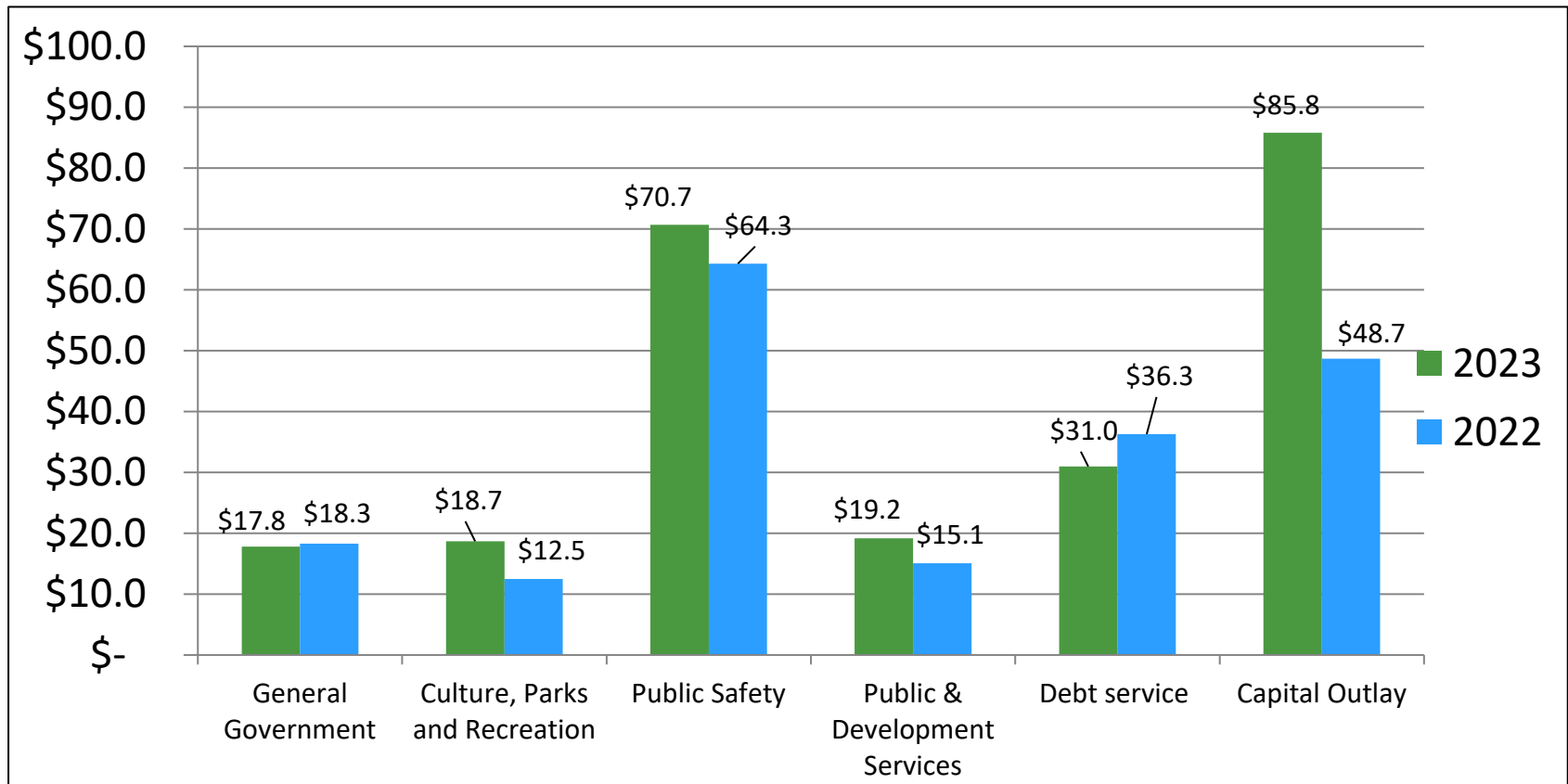


Governmental Fund Expenditures for FY2023 totaled \$243.3 million, a \$48.1 million or 24.6% increase. This increase is primarily the result of:

- Capital outlay expenditures increased \$37.1 million.
- Public safety expenditures increased \$6.4 million.
- Culture, parks and recreation expenditures increased \$6.2 million.

Financial Highlights

Comparison of Governmental Funds Expenditures *



*(2-year comparison in millions of dollars)

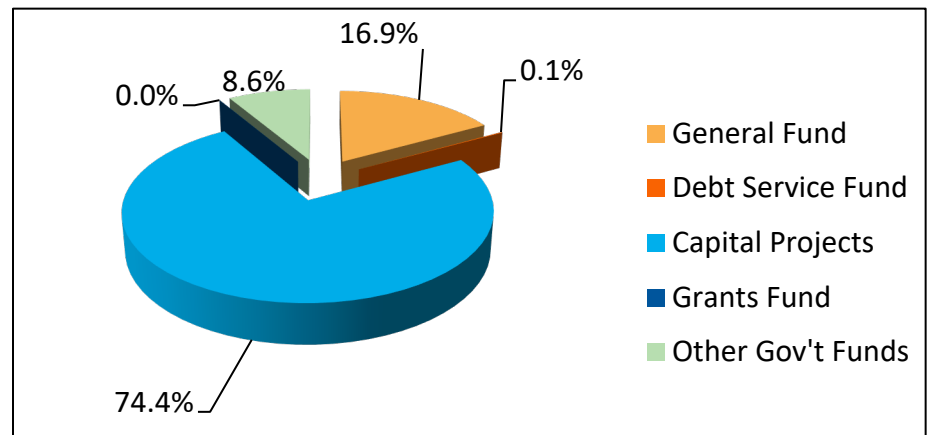
Financial Highlights

Fund Balances

Governmental Funds Fund Balance

The City's governmental funds reported an ending fund balance of \$285.2 million at September 30, 2023 as follows:

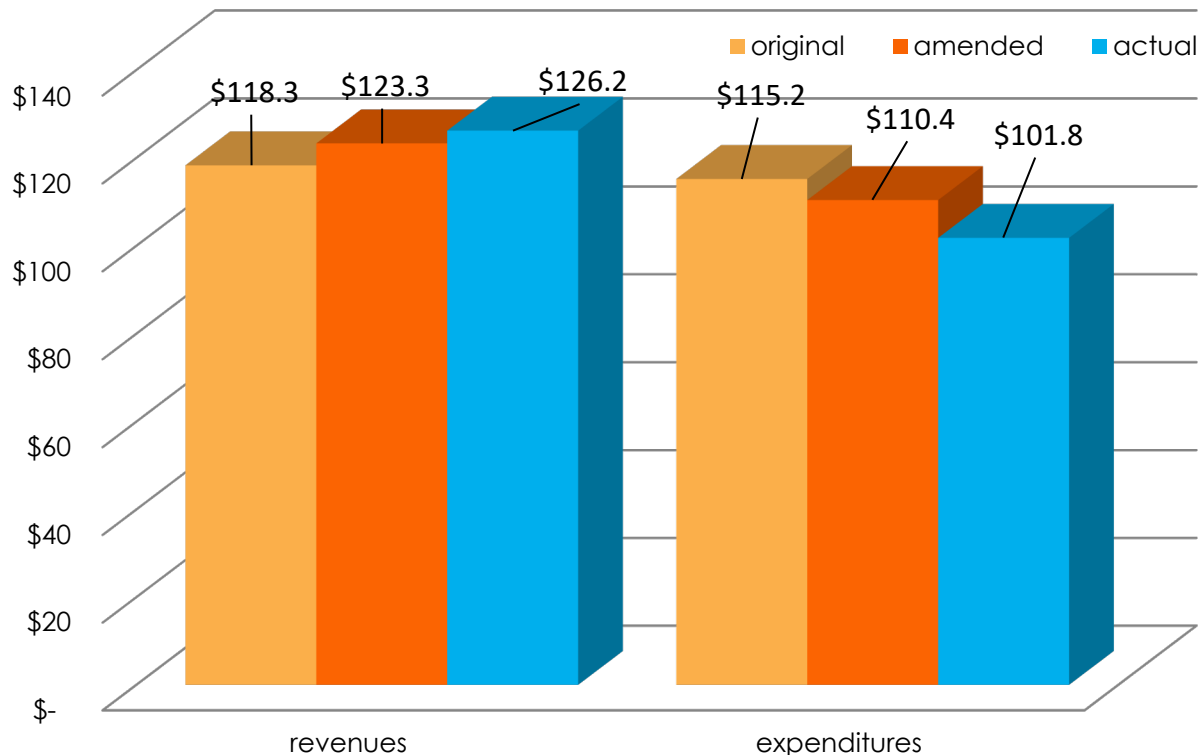
• General Fund	\$48,348,896
• Debt Service	373,541
• Capital Projects	211,962,682
• Grants Fund	54,388
• Other Gov't Funds	<u>24,424,815</u>
	<u>\$285,164,322</u>



- Governmental Funds' fund balance increased by \$34.6M, primarily due to the net effect of a \$50.6M increase in the General Capital Projects Fund and a \$12M decrease in the General Fund.
- Unassigned fund balance in the General Fund (\$46.1M) represents 45.3% of General Fund expenditures.

General Fund Budget vs Actual

FY2023 General Fund Budget and Actual – in \$ millions



Overall, favorable budgetary variance of \$11.9 million:

- Revenues exceeded budget by \$3.0 million.
- Expenditures were \$8.6 million below budget.
- Other Financing Sources (net) exceeded budget by \$0.3 million.

Enterprise Funds- Current and Prior Year



Statement of Revenues, Expenses and Changes in Net Position- Enterprise Funds

	2023	2022	\$ Change	% Change
Operating revenues	\$ 59,400,493	\$ 53,252,156	\$ 6,148,337	12%
Operating expenses	(40,233,480)	(36,705,204)	3,528,276	10%
(Net)Nonoperating revenue	2,840,766	(5,870,757)	8,711,523	-148%
Capital contributions and transfers	(1,270,427)	2,930,180	(4,200,607)	-143%
Change in net position	<u>\$ 20,737,352</u>	<u>\$ 13,606,375</u>	<u>7,130,977</u>	<u>52%</u>

Net position increased by \$20.7 million over prior year:

- Operating revenues increased \$6.1 million –primarily due to increased consumption and increase in utility fees.
- Operating expenses increased \$3.5 million – primarily due to an increase in cost of water purchases
- Net Nonoperating revenues increased \$8.7 million – primarily due to a \$9.0 million increase in investment earnings over the prior year
- Capital contributions and transfers–decreased by \$4.2 million – primarily due to decreases in developer contributions and impact fees

Upcoming Changes

GASB 101:

Effective for
periods
beginning
after
12/15/2023
(FY2025)

Compensated Absences

- GASB 101 improves the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures.
- This statement requires that a liability for certain types of compensated absences, not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.



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

Discussion

Contact Us

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