



CITY OF —
FARMERS BRANCH
— TEXAS

FY2024 Audit Presentation to City Council
Dan Barrón, Partner

April 15, 2025

Introductions



Dan Barrón, Partner

Audit Engagement Executive

Agenda



Audit Scope and Results



Future Pronouncements and Other Matters



Questions

Audit Scope and Results



Audit Scope and Results

REPORT	RESULTS
Financial Statement Opinions	Unmodified “Clean” Opinions
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report	No reportable findings
Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance	No reportable findings

Audit Scope and Results (cont.)

Single Audit: Major Federal Program FY24

Major Program	Federal Assistance Listing Number	Expenditures
Coronavirus State and Local Fiscal Recovery Funds	21.027	\$5,083,575



Audit Scope and Results (cont.)

Qualitative Aspects of Significant Accounting Policies and Practices

- Significant Accounting Policies
 - The City's significant accounting policies are described in *Note 1* of the audited financial statements.
- Unusual Policies or Methods
 - No matters are reportable
- Alternative Accounting Treatments
 - No matters are reportable

Audit Scope and Results (cont.)

Qualitative Aspects of Significant Accounting Policies and Practices (continued)

- Management Judgments and Accounting Estimates
 - Accounts receivable and related allowance for uncollectible accounts
 - Net pension liability and related deferred inflows and outflows of resources
 - Total other postemployment benefits (OPEB) liability and related deferred inflows and outflows of resources
 - Key estimates related to leases, SBITAs, and PPPs – discount rate, term, and payments
 - Depreciation expense and useful lives of capital assets
 - Self-insured liabilities (IBNR)
 - Fair value of investments
 - Landfill closure and postclosure liabilities
 - Arbitrage liability

Audit Scope and Results (cont.)

Qualitative Aspects of Significant Accounting Policies and Practices (continued)

▪ Financial Statement Disclosures

- Commitments and contingent liabilities
- Net pension liability
- Total OPEB liability
- Tax abatements, Tax Increment Financing Zones, Public Improvement Districts
- Leases
- Subscription-Based Information Technology Arrangements
- PPP agreement

Audit Scope and Results (cont.)

Qualitative Aspects of Significant Accounting Policies and Practices (continued)

- Auditor's Judgments About the Quality of the City's Accounting Principles
 - No matters are reportable

Other Communications

- Significant Issues Discussed with Management During the Audit Process
 - No matters are reportable
- Disagreements with Management
 - No matters are reportable

Audit Scope and Results (cont.)

Audit Adjustments


- Proposed audit adjustments recorded:
 - Adjustments to convert from modified accrual to full accrual-basis of accounting – outsourced to Forvis Mazars
 - Adjustments related to GASB Statements 68, 75, 87, 94, and 96 – outsourced to Forvis Mazars
 - Adjustments to record year-end capital asset activity – outsourced to Forvis Mazars
- Proposed audit adjustments not recorded:
 - Prior year disposal of assets over depreciated

Audit Findings



Audit Findings

No matters are reportable.



Future Pronouncements and Other Matters



Accounting Updates - GASB Statement No. 101, *Compensated Absences*

Summary

- Updates the recognition and measurement guidance for compensated absences under a unified model.
- Defines compensated absences and requires that liabilities be recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled.
- Liability for compensated absences should be accounted for and reported on a basis consistent with governmental fund accounting principles for financial statements prepared using the current financial resources measurement focus.
- GASB 101 is effective for the City's 2025 fiscal year. Earlier application is encouraged.

Potential Impact

- GASB 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change).
- No longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.
- The changes adopted at transition to conform to the provisions of GASB 101, should be reported as a change in accounting principle in accordance with GASB 100, including the related display and disclosure requirements

Accounting Updates - GASB Statement No. 102, *Certain Risk Disclosures*

Summary

- This statement requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due.
- The statement includes four nonauthoritative examples of concentrations and constraints, including a financial resource provider, collective bargaining, mandated spending, and an employer concentration.
- GASB 102 is effective for the City's 2025 fiscal year. Earlier application is encouraged.

Potential Impact

- GASB 102 requires the notes to financial statements to disclose information in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact, including descriptions of the following:
 - The concentration or constraint
 - Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
 - Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

Accounting Updates - GASB Statement No. 103, *Financial Reporting Model Improvements*

Summary

- Objective is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability
- Will standardize the presentation for various matters within governmental financial statements
- GASB 103 is effective for the City's 2026 fiscal year. Earlier application is encouraged.

Potential Impact

- GASB 103 will have an impact on the following areas:
 - management's discussion and analysis,
 - unusual or infrequent items,
 - the definitions and presentation of operating and nonoperating revenues and expenses in enterprise funds,
 - presentation of major component units,
 - presentation of budgetary information,
 - and financial trends information within the statistical section of separately issued financial reports.

Accounting Updates - GASB Statement No. 104, *Disclosure of Certain Capital Assets*

Summary

- Objective is to provide users of governmental financial statements with essential information about certain types of capital assets.
- This statement requires certain types of capital assets to be disclosed separately in the capital asset note disclosures.
- GASB 104 is effective for the City's 2026 fiscal year. Earlier application is encouraged.

Potential Impact

- GASB 104 will have an impact on the following capital assets:
 - Lease assets,
 - Intangible right-to-use assets,
 - Subscription assets,
 - Intangible assets other than those three types,
 - Capital assets held for sale

Other Matters

Meeting the Increasing Challenges of Cybersecurity

- Cybersecurity Risk Assessment
 - Identifies possible threats to organizations and can help determine how well the organization can prevent, detect and respond to cyber-attacks
 - Addresses cybersecurity risk in the context of business risk and uses generally accepted frameworks
- State of Texas Cybersecurity Awareness Training – annual basis – must be completed by August 31st each year for all Council Members



Questions?

Connect with Us

Dan Barrón, CPA

dan.barron@us.forvismazars.com

469-556-7522