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CITY OF MCKINNEY FISCAL YEAR 2016 AUDIT COMMITTEE MEETING

Presented by: David Coleman, CPA Karen Kurtin, CPA, CFE
BKD National Governmental Group



AUDIT HIGHLIGHTS – UNMODIFIED OPINIONS

- ▶▶ Independent Auditor’s Report on Financial Statements
- ▶▶ Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*
- ▶▶ Independent Auditor’s 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 the Uniform Guidance



AUDIT HIGHLIGHTS – CONTINUED

- ▶▶ There were no material weaknesses or significant deficiencies in internal controls identified during the audit.
- ▶▶ During fiscal year 2016, the City received its Certificate of Achievement of Excellence in Financial Reporting for its 2015 CAFR. This was the 32nd consecutive year the City has received this prestigious award.



AUDIT HIGHLIGHTS – CONTINUED

- ▶▶ There were audit adjustments made to beginning fund balance in relation to capital assets purchased in governmental funds on behalf of business-type activities, to adjust unavailable revenue, to reclass accounts payable transactions for MMS, and to record deferred loss on debt refundings.
- ▶▶ For fiscal year 2016, the City had one major federal award program that required testing, the USDA Watershed Rehabilitation Grant. We identified no compliance or internal control matters related to this program during our single audit testing.
- ▶▶ For fiscal year 2016, the City did not meet the state expenditure threshold to require a state level single audit. This threshold was \$750,000, where only \$462,898 was spent.



GASB 68 ACCOUNTING & FINANCIAL REPORTING FOR PENSIONS – YEAR 2

- Net pension liability increased from \$30.5M to \$44.1M primarily due to change in long term expected rate of return and low current year investment earnings
 - Projected Earnings: \$12.2M
 - Actual Earnings: \$259K

- Overall plan funding (total pension liability / fiduciary net position)
 - FY 2015 85.16%
 - FY 2016 80.62%

- Net pension liability at FYE 2016. Total liability \$44.1M
 - \$38.4M (88%) Governmental
 - \$5.0 M (10%) Business-type
 - \$0.7 M (2%) Component Units





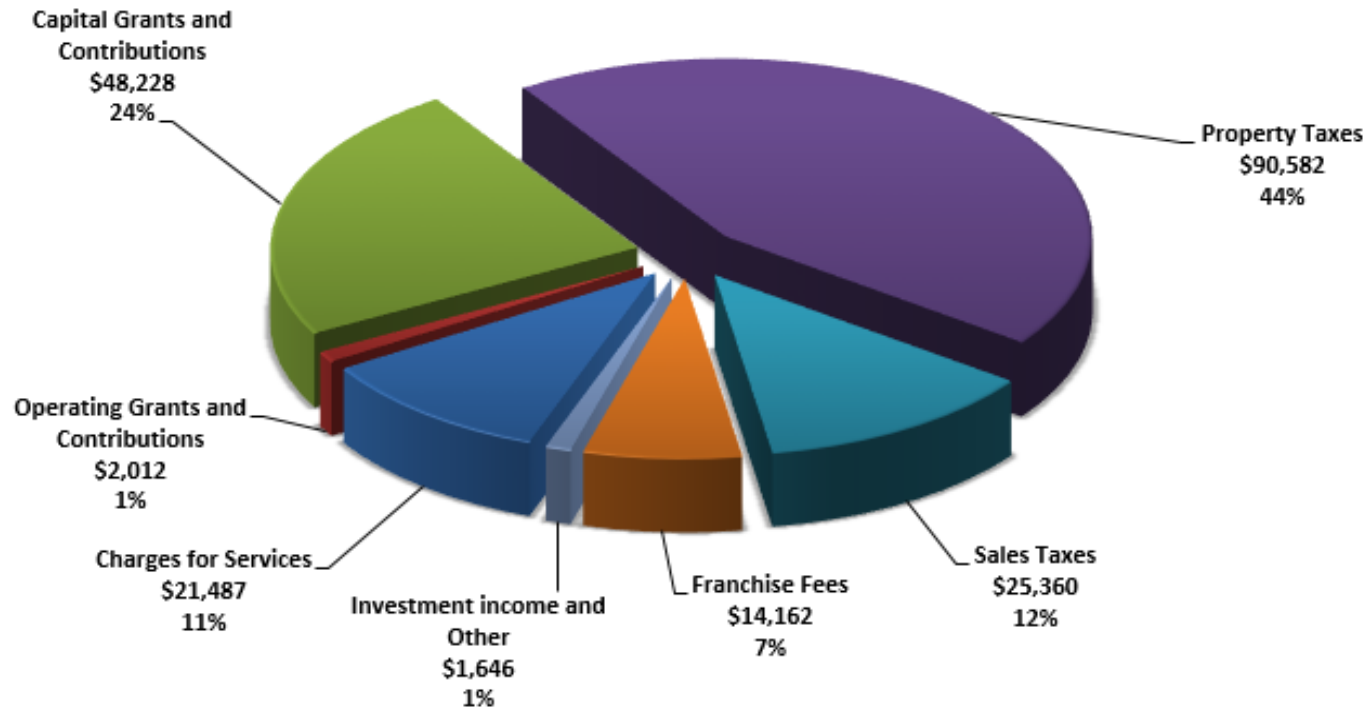
SUMMARY OF NET POSITION, IN THOUSANDS

	Governmental Activities		Business-type Activities		Total		Total Change > 10%
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	
ASSETS							
Current and other assets	\$ 264,793	\$ 223,306	\$ 130,642	\$ 106,315	\$ 395,435	\$ 329,621	20%
Capital assets	511,472	499,819	427,219	406,784	938,691	906,603	
Total Assets	776,265	723,125	557,861	513,099	1,334,126	1,236,224	
DEFERRED OUTFLOWS OF RESOURCES	18,243	8,320	8,387	7,366	26,630	15,686	70%
LIABILITIES							
Other liabilities	23,464	24,335	7,908	6,563	31,372	30,898	
Long-term liabilities outstanding	319,131	302,116	85,781	70,880	404,912	372,996	
Total Liabilities	342,595	326,451	93,689	77,443	436,284	403,894	
DEFERRED INFLOWS OF RESOURCES	1,151	1,367	149	177	1,300	1,544	-16%
NET POSITION							
Net investment in capital assets	320,331	268,919	370,316	340,775	690,647	609,694	13%
Restricted	86,154	100,239	12,746	13,244	98,900	113,483	-13%
Unrestricted	44,277	34,469	89,348	88,826	133,625	123,295	
Total Net Position	\$ 450,762	\$ 403,627	\$ 472,410	\$ 442,845	\$ 923,172	\$ 846,472	



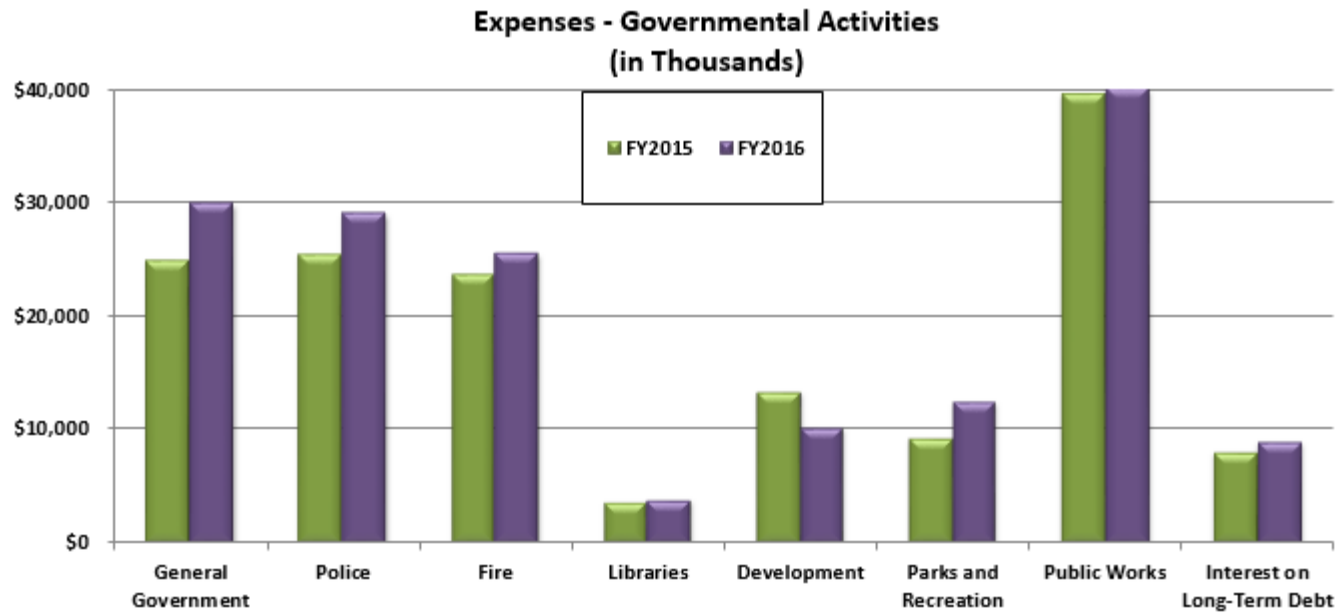


REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES





EXPENSES BY FUNCTION – GOVERNMENTAL ACTIVITIES





KEY DRIVERS OF CHANGE - GOVERNMENTAL

Revenues

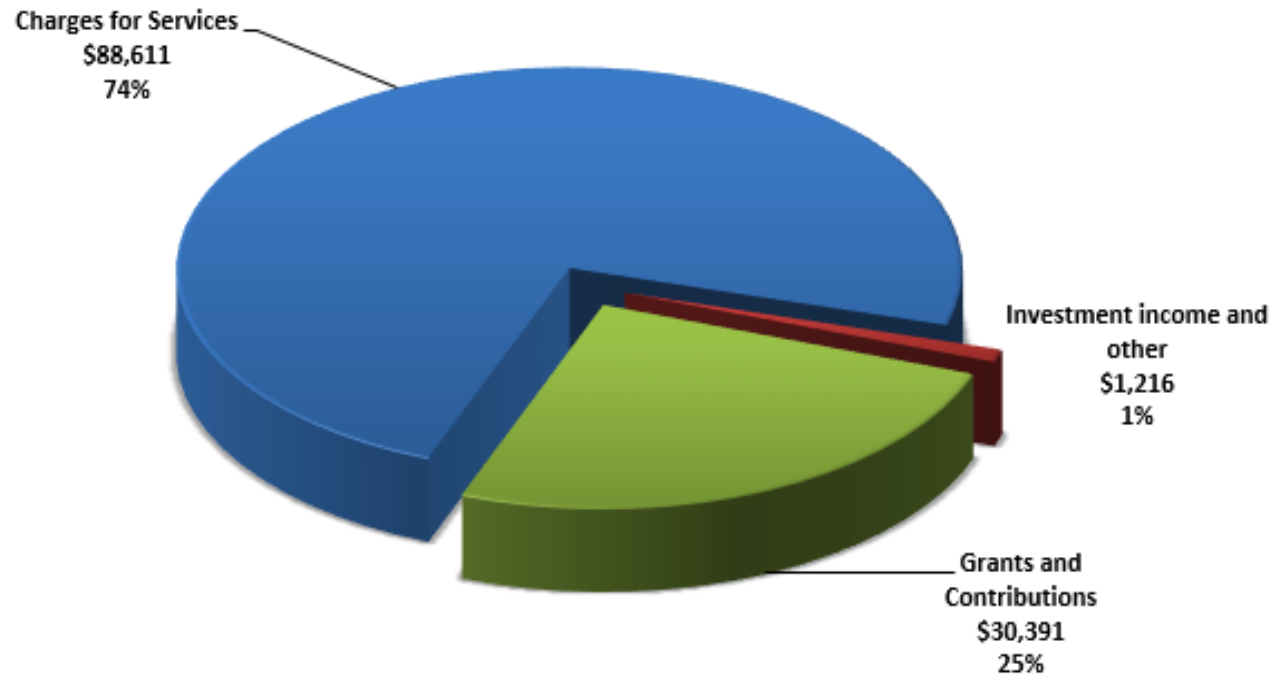
- ▶▶ Property taxes increased \$10.8M due to a 13.9% increase in TAV
- ▶▶ Sales tax increased by \$2.3M due to population growth
- ▶▶ Charges for services increased \$2.3M due to increased development which impacted inspections, permits, licenses
- ▶▶ Contributions increased \$9.8M due to increased development

Expenses

- ▶▶ Government Wide, addition of 22 positions and 3% salary increase
- ▶▶ Government Wide, increase of \$1.8M in health benefits due to a 16% increase in claims

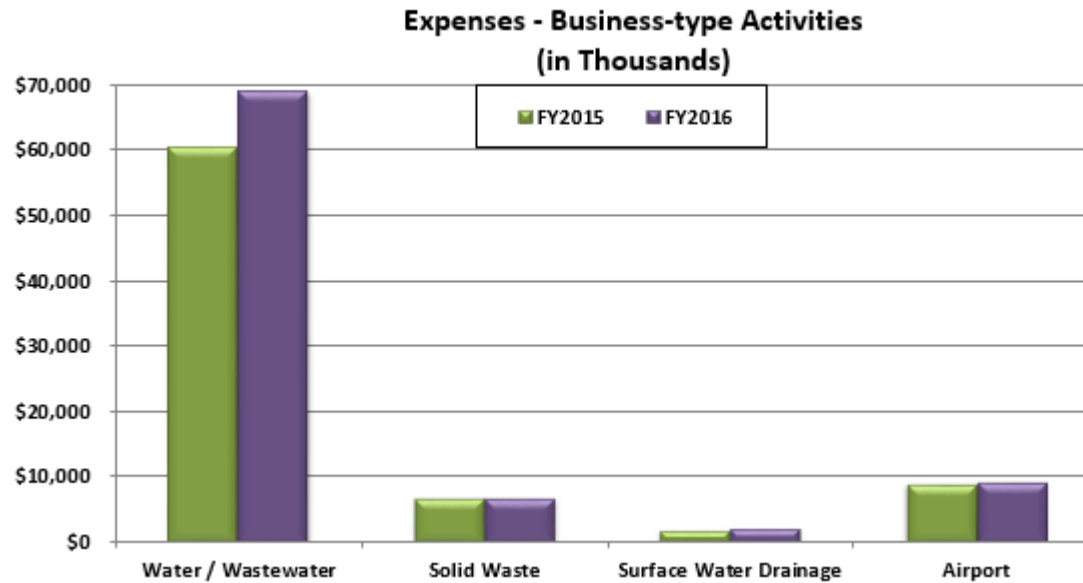


REVENUES BY SOURCE – BUSINESS TYPE ACTIVITIES





EXPENSES BY FUNCTION – BUSINESS-TYPE ACTIVITIES





KEY DRIVERS OF CHANGE – BUSINESS-TYPE

Revenues

- ▶▶ Water/wastewater operating revenues increased by \$11.7M due to rate increases of 11%/13% and new service locations
- ▶▶ Water/wastewater capital contributions of \$26.5M received
- ▶▶ Airport revenues increased \$.6M due to increased fuel sales and hanger lease fees
- ▶▶ Airport capital contributions of \$4M were received

Expenses

- ▶▶ Water purchases and service charges from North Texas Municipal Water District increased \$5.2M
- ▶▶ Street cut fees and franchise fees paid to General Fund increased \$1M





SUMMARY CAPITAL ASSETS, NET, IN THOUSANDS

	Governmental Activities		Business-type Activities		Total		Total Change > 10%
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	
Land	\$ 32,487	\$ 28,837	\$ 30,431	\$ 29,652	\$ 62,918	\$ 58,489	
Works of art	18	-	-	-	18	-	
Construction in progress	19,757	19,022	22,560	17,822	42,317	36,844	15%
Buildings	93,583	97,822	29,118	28,862	122,701	126,684	
Infrastructure	346,823	333,531	339,970	326,214	686,793	659,745	
Machinery and equipment	18,772	20,595	5,140	4,234	23,912	24,829	
Service animals	32	11	-	-	32	11	191%
Total	\$ 511,472	\$ 499,818	\$ 427,219	\$ 406,784	\$ 938,691	\$ 906,602	



SUMMARY OF OUTSTANDING DEBT

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Change > 10%</u>
	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>	
General obligation bonds, certificates of obligations and tax notes (backed by the City)	\$ 268,256	\$ 263,424	\$ -	\$ -	\$ 268,256	\$ 263,424	
Revenue bonds (backed by fee revenues)	-	-	79,938	66,009	79,938	66,009	21%
Totals	<u>\$ 268,256</u>	<u>\$ 263,424</u>	<u>\$ 79,938</u>	<u>\$ 66,009</u>	<u>\$ 348,194</u>	<u>\$ 329,433</u>	



UPCOMING PRONOUNCEMENTS

GASB Statement No. 75

- ▶▶ Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- ▶▶ Requires governments to report a liability on the face of the financial statements
- ▶▶ Additional disclosures
- ▶▶ Effective for the City's year ending September 30, 2018

GASB Statement No. 77

- ▶▶ Tax Abatement Disclosures
- ▶▶ Additional disclosures
 - Descriptions of the tax abatement programs in place
 - Gross dollar amount by which tax revenues were reduced
 - Other commitments made under tax abatement agreements
- ▶▶ Effective for the City's year ending September 30, 2017

Celebrating 90 years of UNMATCHED CLIENT SERVICE

THANK YOU

FOR MORE INFORMATION CONTACT

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