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CITY OF MCKINNEY FISCAL YEAR 2015 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 Basic 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 Each Major Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State of Texas Uniform Grant Management Standards



AUDIT HIGHLIGHTS – CONTINUED

- ▶▶ There were no material weaknesses or significant deficiencies in internal controls identified during the audit.
- ▶▶ During fiscal year 2015, the City received its Certificate of Achievement of Excellence in Financial Reporting for its 2014 CAFR. This was the 31st 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.
- ▶ For fiscal year 2015, 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 2015, the City has one major state award program that required testing, the TSSWCB Flood Control Repair Grant. We identified no compliance or internal control matters related to this program during our state audit testing.



GASB 68 ACCOUNTING & FINANCIAL REPORTING FOR PENSIONS

- Restatement of beginning net position. Total impact of \$24.39M
- 88% Governmental
- 10% Business-Type
- 2% Component Units

- Addition of Deferred Outflows for Pension Contributions and Investment Loss
- Addition of Deferred Inflows for Pension Experience Gain

- Net pension liability at FYE 2015. Total liability \$30.5M
- \$26.8M Governmental
- \$3.2 M Business-type
- \$0.5 M Component Units





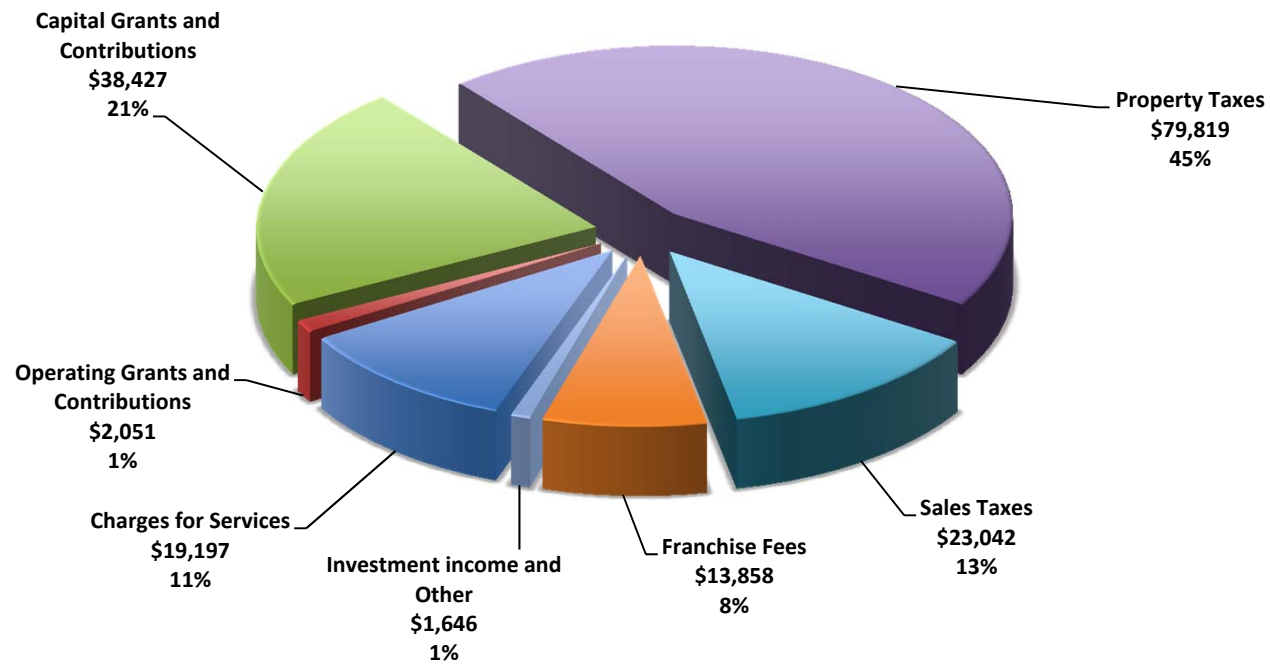
SUMMARY OF NET POSITION, IN THOUSANDS

	Governmental Activities		Business-Type Activities		Total		% Change
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	
ASSETS							
Current and other assets	\$ 223,306	\$ 164,631	\$ 106,316	\$ 102,312	\$ 329,622	\$ 266,943	23%
Capital assets	499,819	488,905	406,785	395,867	906,604	884,772	2%
Total Assets	<u>723,125</u>	<u>653,536</u>	<u>513,101</u>	<u>498,179</u>	<u>1,236,226</u>	<u>1,151,715</u>	7%
DEFERRED OUTFLOWS OF RESOURCES	<u>8,319</u>	<u>907</u>	<u>7,366</u>	<u>6,828</u>	<u>15,685</u>	<u>7,735</u>	103%
LIABILITIES							
Other liabilities	24,335	41,288	6,564	10,630	30,899	51,918	-40%
Long-term liabilities outstanding	302,116	220,328	70,880	61,506	372,996	281,834	32%
Total Liabilities	<u>326,451</u>	<u>261,616</u>	<u>77,444</u>	<u>72,136</u>	<u>403,895</u>	<u>333,752</u>	21%
DEFERRED INFLOWS OF RESOURCES	<u>1,367</u>	<u>-</u>	<u>177</u>	<u>-</u>	<u>1,544</u>	<u>-</u>	
NET POSITION							
Net investment in capital assets	268,919	252,289	340,776	330,538	609,695	582,827	5%
Restricted	100,239	85,126	13,244	13,166	113,483	98,292	15%
Unrestricted	34,469	55,412	88,826	89,167	123,295	144,579	-15%
Total Net Position	<u>\$ 403,627</u>	<u>\$ 392,827</u>	<u>\$ 442,846</u>	<u>\$ 432,871</u>	<u>\$ 846,473</u>	<u>\$ 825,698</u>	3%



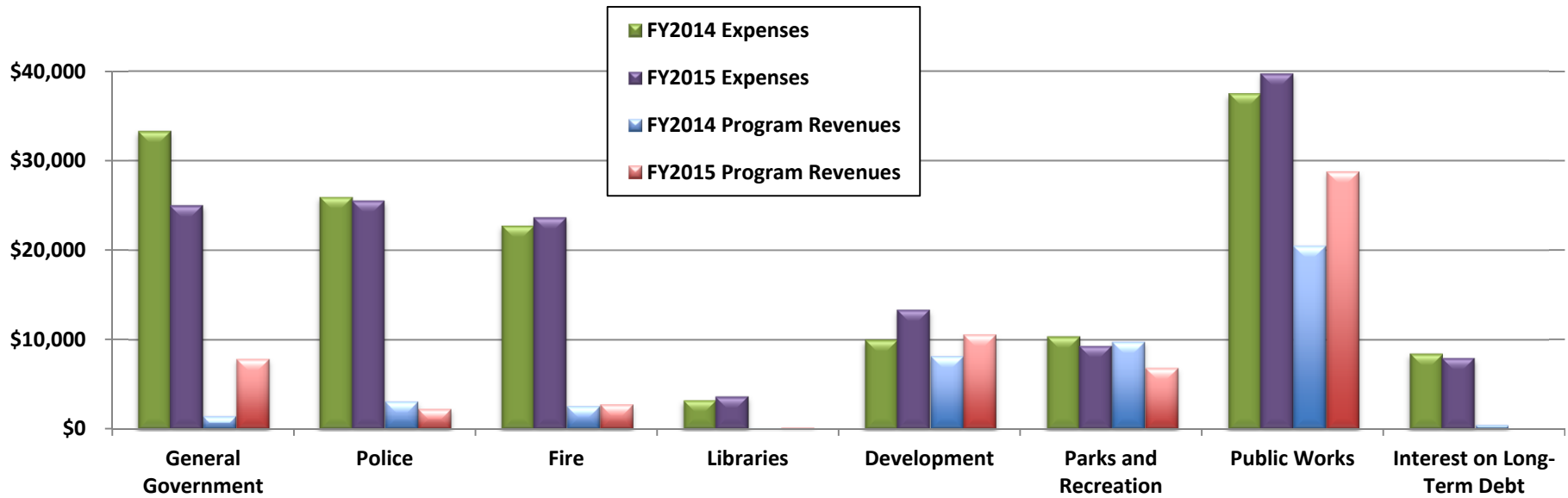


REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES





EXPENSES & PROGRAM REVENUES BY FUNCTION – GOVERNMENTAL ACTIVITIES





KEY DRIVERS OF CHANGE - GOVERNMENTAL

Revenues

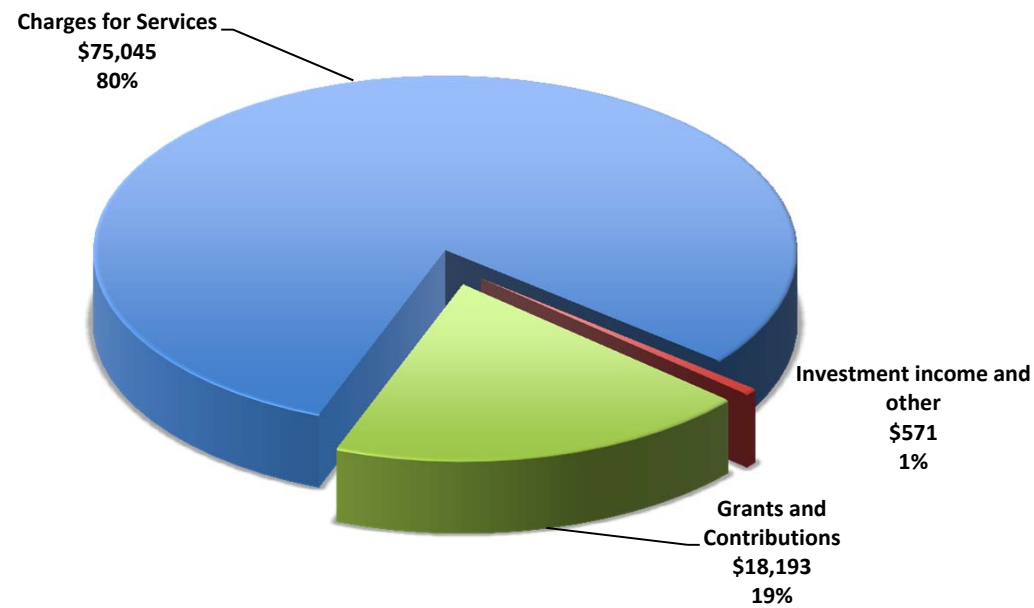
- ▶▶ Property taxes increased \$9.2M due to a 13.1% increase in TAV
- ▶▶ Sales tax increased by \$3.9M due to population growth
- ▶▶ Charges for services increased \$3.9M due to increased development which impacted inspections, permits, licenses
- ▶▶ Contributions increased \$9.6M due to increased development

Expenses

- ▶▶ General government decrease of \$9M due to unexpected judgment in FY14 which increased expenses
- ▶▶ Addition of 27 positions and 3% salary increase
- ▶▶ Increase of \$1M in health benefits due to a 10% increase in claims

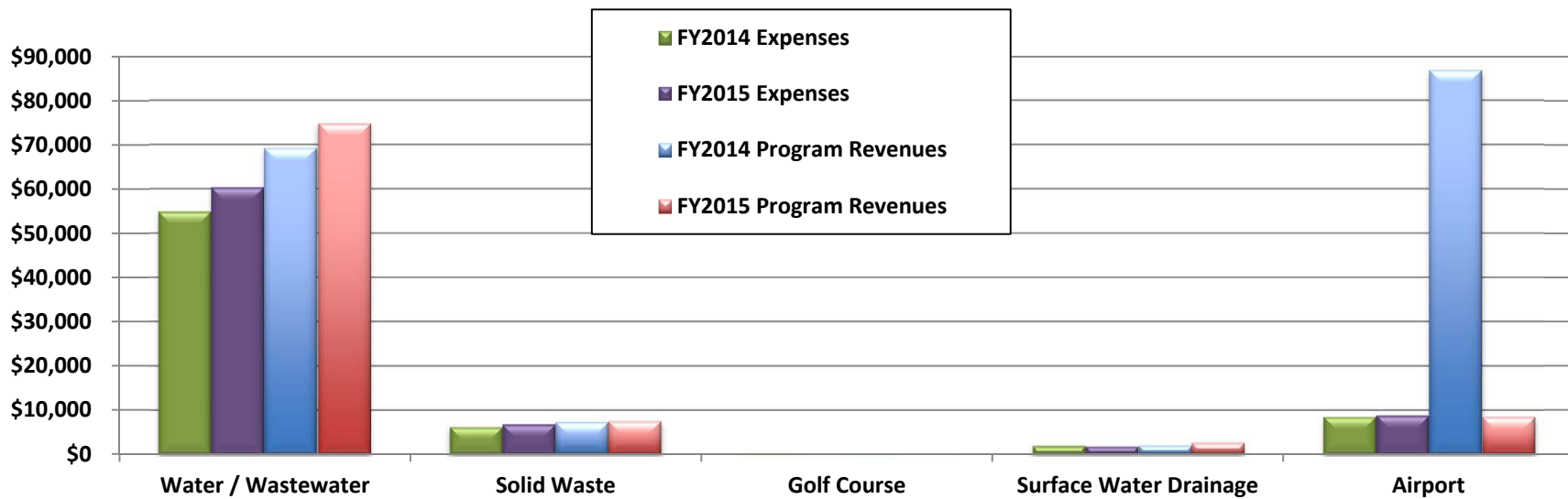


REVENUES BY SOURCE – BUSINESS TYPE ACTIVITIES





EXPENSES & PROGRAM REVENUES BY FUNCTION – BUSINESS-TYPE ACTIVITIES





KEY DRIVERS OF CHANGE – BUSINESS-TYPE

Revenues

- ▶▶ Water/wastewater revenues increased by \$4M due to easing of water restrictions and low rainfall in summer months
- ▶▶ Airport revenues increased \$1.1M due to increased fuel sales and hanger lease fees
- ▶▶ Airport contributions of \$3M for capital construction received as compared to \$82M in FY14 related to dissolution of CCADC

Expenses

- ▶▶ Maintenance costs of water lines increased \$2.2M
- ▶▶ Water purchases increased \$2.5M



SUMMARY CAPITAL ASSETS, NET, IN THOUSANDS

	Governmental Activities		Business-Type Activities		Total		% Change
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	
Land	\$ 28,837	\$ 27,942	\$ 29,652	\$ 29,652	\$ 58,489	\$ 57,594	2%
Buildings	97,822	75,271	28,862	30,139	126,684	105,410	20%
Infrastructure	333,531	317,710	326,214	321,419	659,745	639,129	3%
Machinery and equipment	20,595	18,535	4,234	4,429	24,829	22,964	8%
Service animals	11	41	-	-	11	41	-73%
Construction in progress	19,022	49,405	17,822	10,229	36,844	59,634	-38%
Total	\$ 499,818	\$ 488,904	\$ 406,784	\$ 395,868	\$ 906,602	\$ 884,772	2%



SUMMARY OF OUTSTANDING DEBT

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	
General obligation bonds, certificates of obligations and tax notes (backed by the city)	\$ 263,424	\$ 225,586	\$ -	\$ -	\$ 263,424	\$ 225,586	17%
Revenue bonds (backed by fee revenues)	-	-	66,009	65,442	66,009	65,442	1%
Totals	<u>263,424</u>	<u>225,586</u>	<u>66,009</u>	<u>65,442</u>	<u>329,433</u>	<u>291,028</u>	13%

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THANK YOU

FOR MORE INFORMATION CONTACT

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