

The logo for FORVIS, featuring the word "FORVIS" in a bold, red, sans-serif font. A small "TM" trademark symbol is positioned to the upper right of the letter "S".

FORVISTM

Town of Addison, Texas

FY2022 Audit Presentation to City Council

Introductions



Rachel Ormsby, CPA

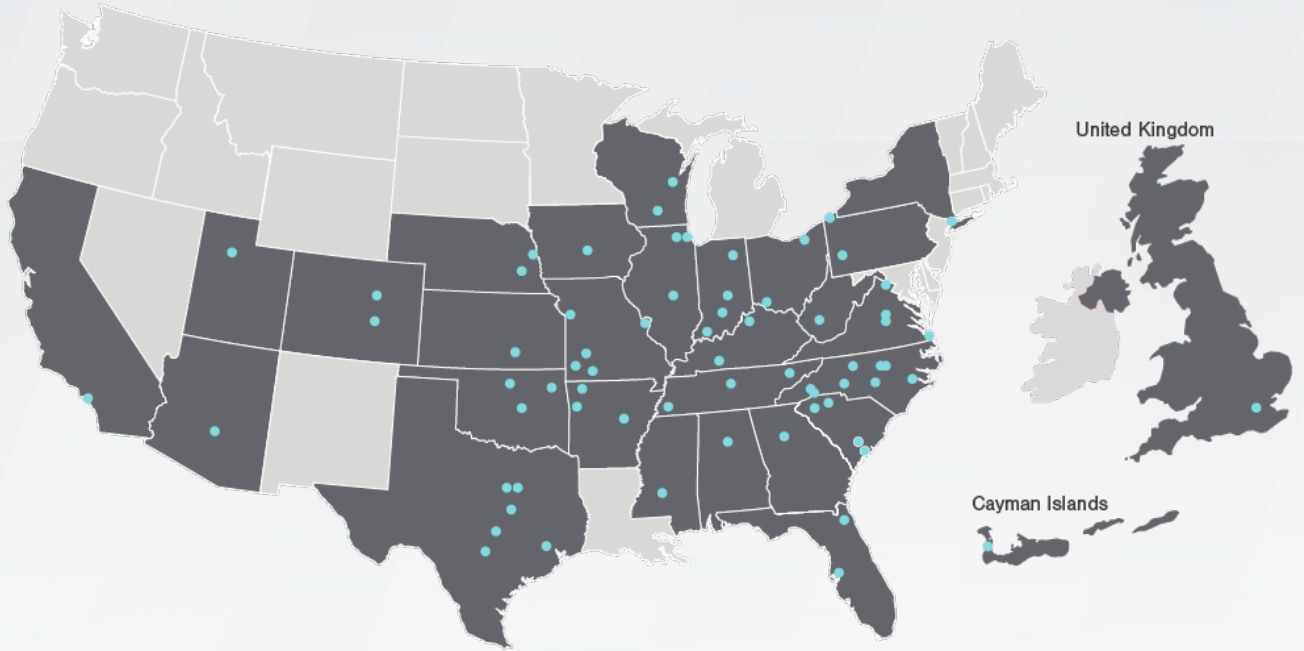
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Cayman Islands**

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Industries

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Team Members

72

Markets

Agenda



Audit Scope and Results



Future Pronouncements and Other Matters



Financial Overview



Questions

Audit Scope and Results

FORV/S

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office.

Audit Scope and Results

- Unmodified “Clean” Opinions
 - Independent Auditor’s Report on Basic Financial Statements
 - 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* – Independent Auditor’s Report
 - 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 – Independent Auditor’s Report

Audit Scope and Results (cont.)

- Qualitative Aspects of Significant Accounting Policies and Practices
 - Significant Accounting Policies
 - The Town's significant accounting policies are described in *Note 1* of the audited financial statements.
 - Implementation of GASB 87, *Leases*
 - 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 amounts
 - Compensated absences
 - Total other postemployment benefits (OPEB) liability and related deferred inflows and outflows of resources
 - Net pension asset and related deferred inflows and outflows of resources
 - Key estimates related to leases – lease discount rate, lease term, and lease payments
 - Depreciation
 - Financial Statement Disclosures
 - Net pension asset
 - Total OPEB liability
 - Leases

Audit Scope and Results (cont.)

- Audit Adjustments
 - Proposed audit adjustments recorded:
 - None
 - Proposed audit adjustments not recorded:
 - None

Audit Scope and Results (cont.)

- Auditor's Judgments About the Quality of the Town's Accounting Principles
 - No matters are reportable.
- Significant Issues Discussed with Management During the Audit Process
 - Implementation of GASB Statement No. 87, *Leases*

Future Pronouncements and Other Matters

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Accounting Updates - GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Summary

- Provides guidance on reporting public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs).
- PPPs: arrangement where government contracts with an operator to provide public services by conveying right to an asset
- APAs: arrangement where a government compensates an operator for services such as designing, constructing, financing, maintaining or operating an asset
- Statement's language and concepts closely mirror the lease guidance provided in GASB 87, *Leases*.
- GASB 94 is effective for the Town's 2023 fiscal year.

Potential Impact

- Report a PPP asset and a corresponding PPP liability
- Disclose essential information about the arrangement

Accounting Updates - GASB Statement 96, *Subscription-Based Information Technology Arrangements*

Summary

- Addresses the accounting for the costs related to cloud computing agreements.
- Statement's language and concepts closely mirror the lease guidance provided in GASB 87, *Leases*.
- GASB 96 is effective for the Town's 2023 fiscal year.

Potential Impact

- Report a subscription asset and a corresponding subscription liability
- Disclose essential information about the arrangement

Accounting Updates - GASB Statement No. 100, *Accounting Changes and Error Corrections*

Summary

- Updates accounting and financial reporting requirements for accounting changes and error corrections to address current diversity in practice
- Defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes.
- GASB 96 is effective for the Town's 2024 fiscal year. Earlier application is encouraged.

Potential Impact

- For each type of accounting change and error correction, GASB 100 addresses accounting and reporting requirements, display, including display in the financial statements, note disclosures, and impact on required supplementary information (RSI) and supplementary information (SI).

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 96 is effective for the Town'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

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

Financial Overview Discussion

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General Fund – Unassigned Fund Balance

The Town has adopted a financial standard to maintain a General Fund minimum fund balance of 30% of budgeted expenditures.

Unassigned Fund Balance at 9/30/22	Adopted FY2023 Budget Total Expenditures	Unassigned Fund Balance as % of Adopted FY2023 Budget Total Expenditures
\$19,837,487	\$44,166,648	44.9%

Texas Municipal Retirement System (TMRS) Pension Funded Status As of Measurement Year 2021 (12/31/21)

Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)	Percent Funded
\$148,507,800	\$154,879,692	(\$6,371,892)	104.3%

Questions?

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Thank you!

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