

# Orange, Texas

## Audit Presentation

September 30, 2018

---

Presented By: Jon Watson, CPA  
April 23, 2019

**BW&C**

CERTIFIED PUBLIC ACCOUNTANTS



# OVERVIEW OF THE AUDIT PROCESS

*Audit Process: 3 stages (Planning, Fieldwork, Conclusion & Reporting)*

The audit was performed in accordance with Generally Accepted Auditing Standards (GAAS)

## ➤ PLANNING

- The audit process was a risk-based approach in which we focused our procedures on those areas most susceptible to risk of error or fraud.

## ➤ FIELDWORK

- Agree balances to underlying reports, and perform testing to assure those balances are materially accurate.

## ➤ CONCLUSION & REPORTING

- Evaluate results. Prepare report and required communications.




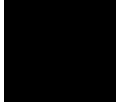
# COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

- ❖ Introductory Section
- ❖ Auditor's Opinion
- ❖ Management's Discussion and Analysis
- ❖ Basic Financial Statements
  - Government-Wide Statements
  - Fund Level Statements
  - Notes to the Financial Statements
- ❖ Required Supplementary Information
  - Budget to actual Schedules
  - Pension schedules (TMRS & Firemen's pension)
  - OPEB schedules
- ❖ Other Supplementary Information
  - Combining and individual fund schedules
- ❖ Statistical Section

# INDEPENDENT AUDITOR'S REPORT

REFERENCE AFR – PAGE 16

## ❖ Four possible outcomes

	<b>-Unmodified</b>
	<b>-Modified</b>
	<b>-Disclaimed</b>
	<b>-Adverse</b>

- ❖ The City received an unmodified opinion
- ❖ Highest level of assurance

# FINANCIAL HIGHLIGHTS

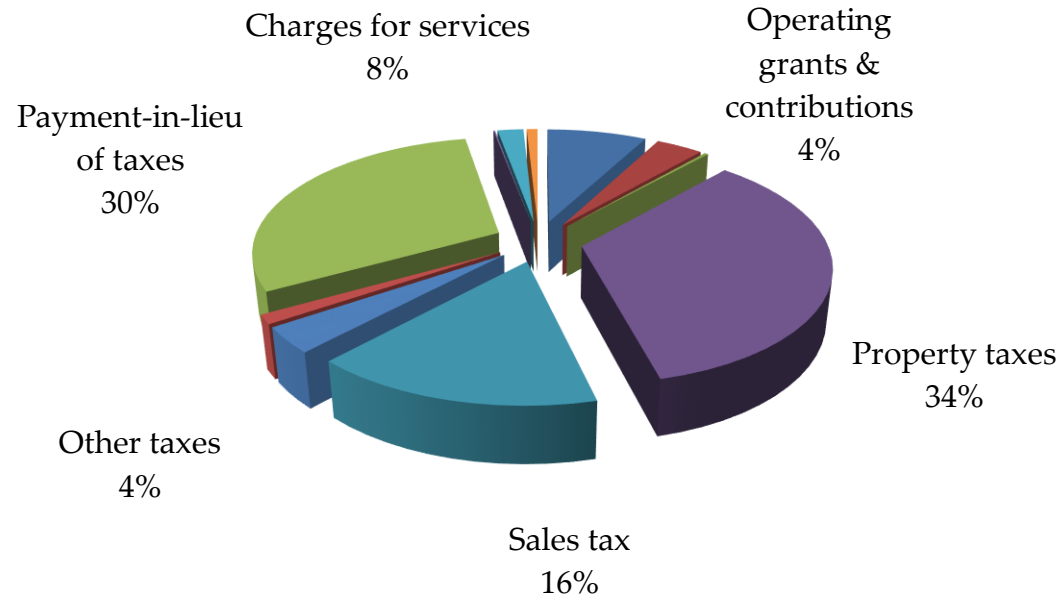
REFERENCE CAFR – PAGE 17

- ❖ Total assets exceeded total liabilities by \$65,401,425.
- ❖ The City had an overall increase in net position of \$4,653,603 for the year.
- ❖ City's governmental funds reported a combined ending fund balance of \$12,510,159, an increase of \$2,265,761.
- ❖ Unassigned fund balance in the general fund was \$9,715,030 or 48% of annual general fund expenditures.

# City Revenues – Governmental Activities

GOVERNMENTAL ACTIVITIES – YEAR ENDING 9/30/18 - REFERENCE CAFR PAGE 24

## Governmental Activities - Revenues

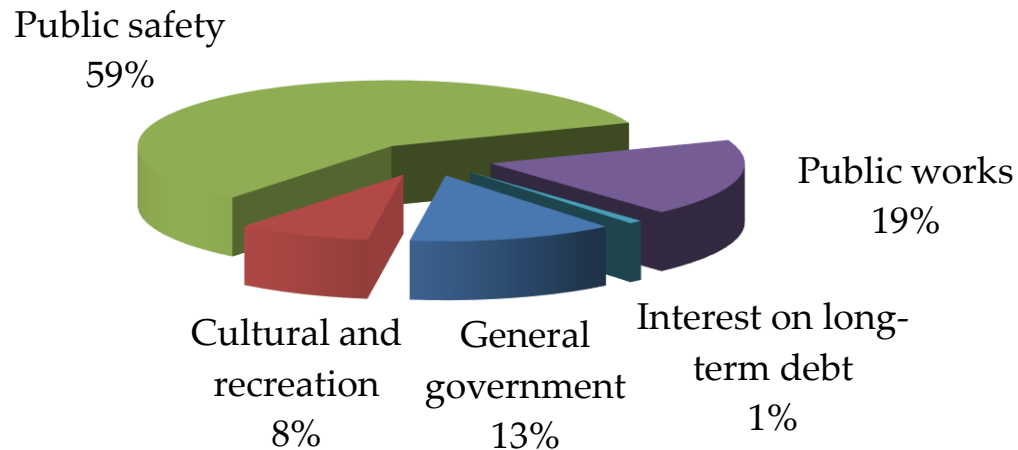


- ❖ Total governmental revenues were \$22,788,457; prior year was \$21,921,822
- ❖ Total property taxes were 34%; \$7,853,374.
- ❖ Total sales taxes were 16%; \$3,618,034.
- ❖ Payment-in-lieu of taxes were 30%; \$6,882,340.
- ❖ Charges for services were 8%; \$1,761,068.
- ❖ Operating grants & contributions were 4%; \$831,138.

# City Expenses – Governmental Activities

GOVERNMENTAL ACTIVITIES – YEAR ENDING 9/30/18 - REFERENCE CAFR PAGE 24

## Governmental Activities - Expenses



- ❖ Total governmental expenses were \$20,441,108; prior year was \$23,014,373.
- ❖ The largest expenses were:
  - ❖ Public safety at 59%; \$11,956,509
  - ❖ Public works at 19%; \$3,893,417
  - ❖ General government at 13%; \$2,677,375
  - ❖ Cultural & recreation at 8%; \$1,735,516

# STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS – YEAR ENDING 9/30/18 - REFERENCE CAFR PAGE 42

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b><u>Revenues</u></b>					
Total Revenues	\$ 21,614,919	\$ 978,651	\$ 331	\$ 1,515,974	\$ 24,109,875
<b><u>Expenditures</u></b>					
Total Expenditures	20,361,649	977,498	-	1,325,534	22,664,681
Net	1,253,270	1,153	331	190,440	1,445,194
<b>Total Other Financing</b>					
Sources (Uses)	820,567	-	-	-	820,567
Net Change in Fund Balances	2,073,837	1,153	331	190,440	2,265,761
Beginning fund balances	7,947,798	103,568	161,021	2,032,011	10,244,398
Ending Fund Balances	\$ 10,021,635	\$ 104,721	\$ 161,352	\$ 2,222,451	\$ 12,510,159



# SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE (Budget & Actual)

GENERAL FUND – YEAR ENDING 9/30/18 - REFERENCE CAFR PAGE 44

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b><u>Revenues</u></b>			
Total Revenues	\$ 20,538,141	\$ 21,614,919	\$ 1,076,778
<b><u>Expenditures</u></b>			
Total Expenditures	21,843,156	20,361,649	1,481,507
Revenues Over (Under) Expenditures	(1,305,015)	1,253,270	2,558,285
<b><u>Other Financing Sources (Uses)</u></b>			
Total Other Financing Sources (Uses)	514,042	820,567	306,525
Net Change in Fund Balance	\$ (790,973)	2,073,837	\$ 2,864,810
Beginning fund balance		7,947,798	
Ending Fund Balance		\$ 10,021,635	

# STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN NET POSITION

PROPRIETARY FUNDS – YEAR ENDING 9/30/18 - REFERENCE CAFR PAGE 46

	Water & Sewer	Sanitation	Total Proprietary
<b><u>Operating Revenues</u></b>			
Total Operating Revenues	\$ 8,199,174	\$ 1,852,297	\$ 10,051,471
<b><u>Operating Expenses</u></b>			
Total Operating Expenses	6,491,329	1,788,586	8,279,915
Operating Income (Loss)	1,707,845	63,711	1,771,556
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Total Nonoperating Revenues (Expenses)	(189,959)	118,497	(71,462)
Income Before Transfers and Contributions	1,517,886	182,208	1,700,094
Contributions and transfers, net	551,076	49,363	600,439
Change in Net Position	2,068,962	231,571	2,300,533
Beginning net position	38,846,367	1,722,853	40,569,220
Ending Net Position	\$ 40,915,329	\$ 1,954,424	\$ 42,869,753

# SUMMARY OF NET PENSION LIABILITIES

YEAR ENDING 9/30/18 - REFERENCE CAFR PAGES 108 & 110

<u>TMRS NET PENSION LIABILITY</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Total Pension Liability Ending	\$ 70,658,593	\$ 68,695,932	\$ 66,521,814	\$ 64,049,844
Plan Fiduciary Net Position Ending	\$ 66,626,159	\$ 59,442,716	\$ 56,678,721	\$ 57,291,631
NET PENSION LIABILITY	\$ 4,032,434	9,253,216	9,843,093	6,758,213
Plan Fiduciary Net Position as % of Total Pension Liability	94%	87%	85%	89%
Contribution % of payroll	16.8%	17.3%	18.3%	19.4%
<u>ORANGE FF NET PENSION LIABILITY</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Net Change in Total Pension Liability	\$ 16,625,932	19,344,058	16,683,530	16,345,289
Plan Fiduciary Net Position Ending	\$ 9,021,895	\$ 8,154,674	\$ 8,313,179	\$ 8,309,315
NET PENSION LIABILITY	\$ 7,604,037	11,189,384	8,370,351	8,035,974
Plan Fiduciary Net Position as % of Total Pension Liability	54%	42%	50%	51%
Contribution % of payroll	14.0%	14.0%	14.0%	14.0%

❖ Average funding level for governmental pensions in the US in 2016 was 72.9% per a study by NCPERS.

# CONCLUSION

## Letters and Questions

---

Presented By: Jon Watson, CPA  
April 23, 2019