



# City of Whitewright 2019 - 2020

## Annual Financial Report

Presented by:

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# FY20 Agenda

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- ◉ Objectives & Scope of Audit
- ◉ Financial Reports
- ◉ Financial Highlights
- ◉ Overview of Audit Results
- ◉ Prior Year Findings – Resolved
- ◉ Recommendations
- ◉ Required Governance Communications
- ◉ Closing Remarks

# FY20 Objectives & Scope of Audit

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## ● Objectives

- Conduct an audit in accordance with *Generally Accepted Auditing Standards*.
- Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

## ● Full Scope Audit

- Governmental Activities
- Proprietary Activities
- Component Units – Discretely presented - EDC & CDC
- Each Major Fund



# FY20 Financial Report

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## ◉ Table of Contents

- Independent Auditor's Report (pgs. 1-2)
- Management's Discussion & Analysis (pgs. 3-7)
- Government-Wide Financial Statements (pgs. 8-9)
- Fund Financial Statements (pgs. 10-16)
- Notes to Financial Statements (pgs. 17-45)
- Required Supplemental Information (pgs. 47-51)

# FY20 Financial Highlights – Government-Wide Statements

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## ◎ Full Accrual Basis:

- Net position of City (pg. 8) is :
  - FY20 \$4,433,980
  - FY19 \$2,918,452
- Overall, net position of the City increased by \$1,445,158 (pg. 9) or 49.5%.
- Unrestricted net position of the City is \$823,095 (pg. 8) at FY20. This is an increase of \$521,620 from FY19's amount of \$301,475.

# FY20 Financial Highlights – Fund Statements – General Fund

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- ◎ General Fund unassigned fund balances (pg. 10):
  - \$365,088 at FY20
  - \$282,292 at FY19
  - Increase of \$82,796
  - These funds can be used to meet the City's ongoing obligations.
  - Balance represents 2.95 months of reserves at FY20.
  - 3 to 6 months reserves are optimal.



# FY20 Financial Highlights – Fund Statements – Water & Sewer

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- ◉ Water & Sewer Fund unrestricted net position (pg. 14):
  - \$244,655 at FY20
  - (\$75,038) at FY19
  - Increase of \$319,693
  - Balance represents 2.76 months of reserves at FY20.
- ◉ Total net position (pg. 14) of \$2,942,096.
- ◉ Total net position increased by \$1,377,054 (pg. 15).
  - ✍ Most of the increase relates to a \$1,088,106 loan forgiveness further discussed on page 33.

# Overview of Audit Results FY20

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- ◉ Independent Auditors Report FY20 (pgs. 1-2)
  - Unmodified Audit Opinion
  - “Clean Opinion”



# Prior Year Findings - Resolved

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- **FY19-001 Accounts Payable - *Material Weakness***
  - City recorded year-end adjustments to accrue accounts payable.
- **FY19-002 Cash – Significant Deficiency**
  - City reconciled cash for the first quarter of FY21 before the audit.

# Recommendations

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- ◉ **Year End Closing Process**

- ◉ Work closely with the City's Consultant to refine the year-end closing process to properly reconcile and adjust all general ledger accounts.

- ◉ **Written Cash Handling Policies**

- ◉ Develop and implement written policies to provide adequate internal controls for the cash receipt and disbursement processes. These policies should be adopted by Council.

- ◉ **Capital Outlay**

- ◉ Budget for and record all fixed asset purchases greater than \$5,000 in capital outlay accounts. The City should review these accounts and post reclassification entries at year end, if necessary.

- ◉ **Water Meter Deposits**

- ◉ Reconcile water meter deposits to the associated CD account. The balance in the CD reserved for water meter deposits should support water deposits.

# Required Governance Communications

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- ◉ Miscellaneous matters discussed in this letter:
  - Qualitative Aspects of Accounting Practices –
    - Sensitive estimates – allowance for uncollectible receivables
    - Significant disclosures – long-term debt
  - Corrected and uncorrected misstatements -
    - All recommended adjustments were accepted by the City – see Attachment A
    - Various immaterial uncorrected adjustments were noted – see Attachment B



# Closing Remarks

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- ◉ We would like to thank:
  - Mayor – Tona Shiplet
  - City Secretary – Gwyn Jordan
  - *These individuals were very responsive to our audit requests and a pleasure to work with on this engagement.*
- ◉ Questions or Comments?