

CITY OF SAN ANTONIO

# Results of the FY 2019 External Financial Audit

Presented by:  
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& Victoria Roeder



# Overview of External Audit

- Required under the provisions of the City Charter
  - Issue as soon as practicable after the close of each fiscal year
  - An independent audit shall be made of all accounts by a CPA,
    - No personal interest in the financial affairs of the City Government, or any of its officers
- An external audit ensures the City's records are:
  - Properly maintained
  - Free from material misstatement
  - Comply with established concepts, principles, and accounting standards
- Required by State Statute
- Provides a true & fair view of the financial position of the City

# FY 2019 External Audit

- This is the third year of the external audit contract with Grant Thornton, LLP
  - The contract is a three year term with two separate one-year extensions
- Presented an overview of the planned scope and timing of the audit to the Audit and Accountability Committee on September 17, 2019
- This presentation is to go over the results of the FY2019 external audit and discuss required communications between Grant Thornton and the Committee

# Communication of External Audit

Results of the External Audit are communicated through the following documents:

1. Comprehensive Annual Financial Report (CAFR)
2. Financial and Compliance Report on Federal and State Grants, “Other Reports”
3. Financial and Compliance Report on Passenger Facility Charge Program
4. Report on Internal Controls (Management Letter), when applicable

*These documents are available on the City’s transparency website:  
<http://www.sanantonio.gov/Finance/bfi.aspx>*





# **2019 Audit Wrap Up Presentation and Discussion**

**Audit and Accountability  
Committee of the City of  
San Antonio, Texas**  
**March 17, 2020**





Audit Wrap Up Presentation

# Audit Scope and Results



# Significant Risks

Significant Risks	
Presumed risk of fraud	Matters communicated and evaluated for impact to our audit approach
Airport Revenues and related receivables	No exceptions noted
Solid Waste Management Revenues and related receivables	No exceptions noted
Grant Revenues and related receivables	No exceptions noted
Other Revenues and related receivables – Governmental and Business-Type activities	No exceptions noted
Compliance with Uniform Guidance and State of Texas Single Audit Circular	1 finding noted

# Other Areas of Focus

Other Areas of Focus	
Capital Assets	No exceptions noted
Employee Compensation	No exceptions noted
Risk Financing	No exceptions noted
Cash and Investments	No exceptions noted
Operating Expenses and Accounts Payable	No exceptions noted
Debt	No exceptions noted
Net Pension and OPEB Liabilities	No exceptions noted
Accounting Estimates	No exceptions noted
Implementation of New Accounting Standards	No exceptions noted
Financial Statement Disclosures	No exceptions noted
Computer Data Acquisition Analysis	No exceptions noted



# Results of the Financial Statement Audit

- Unmodified "clean" opinions
- No scope limitations
- No unresolved audit issues
- Open communication with management

# Areas of Focus for Federal and State Single Audit and other Compliance Audits

The following provides an overview of the major programs tested this year which was determined based on the final schedules of expenditures of federal and state awards.

Federal Programs	State Programs
Child Care Cluster (CCDS) – 93.575, 93.596	Child Care Cluster
Head Start – 93.600	TB Prevention and Control
	Immunization Grants
	State Confiscated Property

Program
Passenger Facility Charge Program

# Single Audit Findings

Source	Program	Finding	Conclusion	Status
State	Confiscated Property	For five (5) of the forty (40) cash seizures selected for testing, the SAPD did not deposit the funds within the required 15 days.	Control Deficiency and Noncompliance	New finding (2019-001)

# Status of Prior Year Findings

Source	Program	Year	Finding	Type of Finding	Status
State	Texas Anti-Gang Grant Program (TAG)	2018	Procurement - The City of San Antonio Police Department did not submit a Procurement Questionnaire to the OOG for approval prior to procurement as required.	Significant deficiency and Non-compliance	Corrected
State	Truancy Intervention & Prevention (TIP)	2018	Reporting – A lack of segregation of duties over the preparation, approval and submission of the Financial Status Reports to the Office of the Texas Governor.	Significant deficiency	Corrected

# Results of the Federal and State Single Audit and PFC Compliance Audits

## Federal Programs

- Report on internal control over financial reporting
- Unmodified opinion on compliance

## State Programs

- Report on internal control over financial reporting
- Unmodified opinion on compliance

## PFC Program

- Report on internal control over financial reporting
- Unmodified opinion on compliance



# Other Required Communications

Professional standards require that we communicate the following matters to you, as applicable.

Going concern matters – none noted.
Fraud and noncompliance with laws and regulations - none noted except as noted for the State Confiscated Property program.
Significant deficiencies and material weaknesses in internal control over financial reporting – none noted.
Use of other auditors - various other auditors were used for the component unit audits. Additionally, GT used 4 partnering firms to complete the City audit.
Use of internal audit – internal audit was not used.
Related parties and related party transactions - none noted outside the normal course of business.



# Other Required Communications (continued)

Disagreements with management - none noted.
Management's consultations with other accountants - none noted.
Significant issues discussed with management - none noted.
Significant difficulties encountered during the audit - none noted.
Other significant findings or issues that are relevant to you and your oversight responsibilities - none noted.
Modifications to the auditor's report - none noted.
Other information in documents containing audited financial statements - none noted except for the information used in debt issuance documents.



# Quality of Accounting Practices

Accounting policies	Accounting policies are consistent with prior year and deemed appropriate
Accounting estimates	<p>We have performed tests to satisfy ourselves that these amounts are free from material misstatements and reasonable</p> <ul style="list-style-type: none"><li>▪ Accruals for pension/postretirement obligations based on actuarial assumptions.</li><li>▪ Arbitrage rebate liability</li><li>▪ IBNR and self insurance</li><li>▪ Fair value of investments</li></ul>
Disclosures	Footnote disclosures to the financial statements appear overall to be neutral and free from undue management bias. We have assessed the financial statements and disclosures for clarity and completeness.



# Contact Information

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# Questions?







**Audit Wrap-Up Presentation**

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# Appendix



# Significant Risks

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Significant Risks	Results
Presumed risk of fraud	<ul style="list-style-type: none"><li>• Held discussions with numerous parties within the City including management and the offices of the City Auditor, City Manager, General Counsel, Information Technology and the Office of Municipal Integrity.</li><li>• Performed test of journal entries according to specific criteria.</li><li>• Performed data analytics to identify unusual transactions.</li></ul> <p><b>Results:</b> Matters communicated by appropriate parties and considered in our audit approach.</p>
Airport Revenues and related receivables	<ul style="list-style-type: none"><li>• Performed reasonableness test on facilities rental fees, landing fees, and car rental fees based on activity volume and established rates.</li><li>• Performed substantive testing over a sample of parking revenues transactions.</li><li>• Tested a sample of receivables for appropriateness.</li></ul> <p><b>Results:</b> No exceptions noted</p>

# Significant Risks - continued

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Significant Risks	Results
Solid Waste Management Revenues and related receivables	<ul style="list-style-type: none"><li>• Obtained an understanding of controls over each identified significant revenue stream process.</li><li>• Performed substantive testing over a sample of transactions within each significant revenue stream.</li><li>• For significant revenue streams with few transactions or customers, confirmed revenue and receivables balances.</li><li>• Performed analytics to identify unusual fluctuations or areas of additional risk.</li></ul> <p><b>Results:</b> No exceptions noted</p>
Other Revenues and related receivables – Governmental and Business Type	<ul style="list-style-type: none"><li>• Performed analytical procedures and substantively tested material other revenue and receivable balances through sampling or confirmations such as charges for services and loan receivables.</li></ul> <p><b>Results:</b> No exceptions noted</p>

# Significant Risks - continued

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Significant Risks	Results
Grant Revenues and related receivables	<ul style="list-style-type: none"><li>• Performed controls and substantive testing over a sample of grant revenue transactions.</li><li>• Ensured recorded transactions were appropriate and in accordance with the grant agreements.</li><li>• Reconciled the reported grant revenues with the SEFA and SESA.</li></ul> <p><b>Results:</b> No exceptions noted</p>
Compliance with Uniform Guidance and Uniform Grant Management Standards	<ul style="list-style-type: none"><li>• Identified major federal and state programs and determined the compliance requirements which are direct and material.</li><li>• Identified and tested key controls over compliance.</li><li>• Selected a sample of transactions subject to compliance requirements.</li></ul> <p><b>Results:</b> Exceptions noted.</p>

# Other Areas of Focus

The following provides an overview of the other areas of audit focus based on our risk assessments.

Other Areas of Focus	Results
Capital Assets	<ul style="list-style-type: none"><li>Performed substantive testing over a sample of additions for each major fund that met scope.</li><li>Examined the status of construction in progress projects.</li><li>Performed application controls testing to verify depreciation is being calculated properly by SAP.</li></ul> <p><b>Results:</b> No exceptions noted</p>
Employee Compensation	<ul style="list-style-type: none"><li>Performed analytical procedures on the salaries and related benefits.</li><li>Recalculated significant year-end accruals based on payroll data and HR policies.</li></ul> <p><b>Results:</b> No exceptions noted</p>
Risk Financing	<ul style="list-style-type: none"><li>Evaluated reasonableness of third-party workers' compensation and insurance reserves, including general liability and automobile claims, estimates using firm specialists.</li><li>Agreed third-party workers' compensation and insurance reserves estimates to recorded values.</li></ul> <p><b>Results:</b> No exceptions noted</p>



# Other Areas of Focus - continued

The following provides an overview of the other areas of audit focus based on our risk assessments.

Other Areas of Focus	Results
Cash and Investments	<ul style="list-style-type: none"><li>• Confirmed material cash balances and investments with financial institutions.</li><li>• Tested valuation of investments and the related leveling, as required by GASB 72, that are not publicly traded by performing an independent assessment of the valuation methodology using Harvest Investments.</li><li>• Tested purchases for propriety of recorded balances.</li></ul> <p><b>Results:</b> No exceptions noted</p>
Operating Expenses and Account Payable	<ul style="list-style-type: none"><li>• Performed substantive analytical procedures over the various expense types.</li><li>• Performed a search for unrecorded liabilities.</li></ul> <p><b>Results:</b> No exceptions noted</p>
Debt	<ul style="list-style-type: none"><li>• Confirmed debt transactions (principal and interest payments), including conduit debt, with financial institutions.</li><li>• Reviewed the new debt issuances during the year.</li><li>• Tested compliance with debt covenants.</li></ul> <p><b>Results:</b> No exceptions noted</p>

# Other Areas of Focus - continued

The following provides an overview of the other areas of audit focus based on our risk assessments.

Other Areas of Focus	Results
Net Pension Liability – City and FPPF	<ul style="list-style-type: none"><li>Reviewed the actuarial information provided by the actuaries related to the net pension liability.</li><li>Perform procedures to test the net pension liability at the financial statement level.</li><li>Tested participant census data.</li></ul> <p><b>Results:</b> No exceptions noted</p>
Other Post Employment Benefits (OPEB) Liability – City and Fire	<ul style="list-style-type: none"><li>Reviewed the actuarial information provided by the actuaries related to the OPEB liability.</li><li>Perform procedures to test the net pension liability at the financial statement level.</li><li>Tested participant census data.</li></ul> <p><b>Results:</b> No exceptions noted</p>
Accounting estimates	<p>The preparation of the City's financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. The most significant estimates relate to the valuation of investments, the determination of pension obligations, the determination of post-retirement benefit obligations, and liabilities related to self-insurance. Our procedures were designed in part, to review these estimates and evaluate their reasonableness.</p>

# Other Areas of Focus - continued

The following provides an overview of the other areas of audit focus based on our risk assessments.

Other Areas of Focus	Results
Adequacy of Disclosures	<ul style="list-style-type: none"><li>Our procedures also included an assessment as to the adequacy of the City's financial statement disclosures to ensure they were complete, accurate and appropriately described the significant accounting policies employed in the preparation of the financial statements and provided a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by US GAAP.</li></ul> <p><b>Results:</b> No exceptions noted</p>
Computer Data Acquisition Analysis	<ul style="list-style-type: none"><li>Reviewed reports that analyzed interrelationships between the (1) Vendor Master File, (2) Disbursement File, (3) Human Resource File, and (4) Payroll File. The outcome of the Data Analysis was provided to GT and the City for better insight into your operations, including effectiveness and efficiencies of operations as well as compliance, internal controls and potential fraud indicators..</li></ul> <p><b>Results:</b> No matters noted</p>
Implementation of New Accounting Standards	<ul style="list-style-type: none"><li>GASB 83 – Asset Retirement Obligations; GASB 86 – Certain Debt Extinguishment Issues; and GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements – Review the City's response to the new standards and determine if the standard has been appropriately applied and required disclosures are included.</li></ul> <p><b>Results:</b> No matters noted</p>



Audit Wrap Up Presentation

# Technical Updates – GASB



# GASB Pronouncements Effective – FY20

Title	Effective Fiscal Year	Summary
GASB 84 – <i>Fiduciary Activities</i>	Effective for periods beginning after December 15, 2018. Effective for the City: September 2020.	This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.
GASB 90 – <i>Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61</i>	Effective for periods beginning after December 15, 2018. Effective for the City: September 2020.	This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method.



# GASB Pronouncements Effective – FY21

Title	Effective Fiscal Year	Summary
GASB 87 – <i>Leases</i>	Effective for periods beginning after December 15, 2019. Effective for the City: September 2021	<p>In general, all leases will be reported on the statement of net position (the distinction between operating and capital leases is no longer relevant) as a "right of use" intangible asset and a corresponding lease liability within long term debt (lessee) or lease receivable and deferred inflow of resources (lessor)</p> <p>On the statement of changes, rent expense will be replaced by amortization expense of the right-of-use asset as well as interest expense on the lease liability (thus accelerating expenses in the beginning years of the lease term).</p> <p>There is an exemption for short term leases (those with a term of 12 months or less, including extension options) as well as leases that transfer ownership at the end of the term</p> <p>Added disclosure requirements.</p>
GASB 89 – <i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i>	Effective for periods beginning after December 15, 2019. Effective for the City: September 2021	<p>Financial statements prepared using the economic resources measurement focus - Interest cost should be recognized as an expense in the period incurred.</p> <p>Financial statements prepared using the current financial resources measurement focus - Interest cost should be recognized as an expenditure consistent with governmental fund accounting principles.</p>

# GASB Pronouncements Effective – FY22

Title	Effective Fiscal Year	Summary
<p>GASB 91 – <i>Conduit Debt Obligations</i></p>	<p>Effective for periods beginning after December 15, 2020. Effective for the City: September 2022.</p>	<p>Eliminates the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. Defines conduit debt obligations as a debt instrument issued in the name of a state or local government (the issuer) that is for the benefit of a third party primarily liable for the repayment of the debt instrument (the third-party obligor), that includes specific characteristics.</p> <p>To the extent the issuer has made a limited commitment with respect to the conduit debt obligation, the issuer should recognize a liability associate with the additional commitment if qualitative factors indicate it is more likely than not that the issuer will support one or more debt service payments.</p> <p>The issuer of conduit debt obligations should not report arrangements as leases, regardless of whether the arrangement is labeled or otherwise referred to as a lease. If the arrangement meets the definition of a Service Concession Arrangement, however, the SCA should be reported in accordance with the relevant guidance.</p>

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CITY OF SAN ANTONIO

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Results of the FY 2019  
External Financial Audit

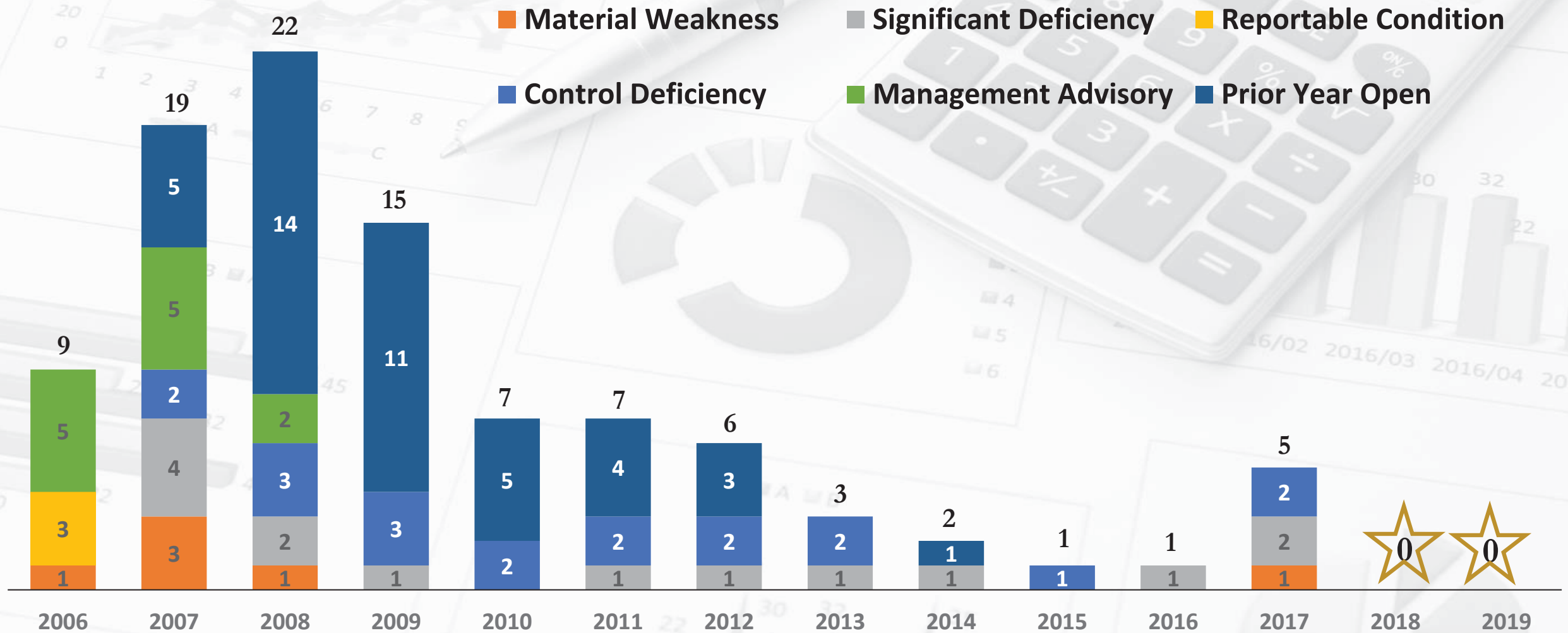
[Fiscal Year-Ended September 30, 2019]



# Days to Issue CAFR



# CAFR Findings



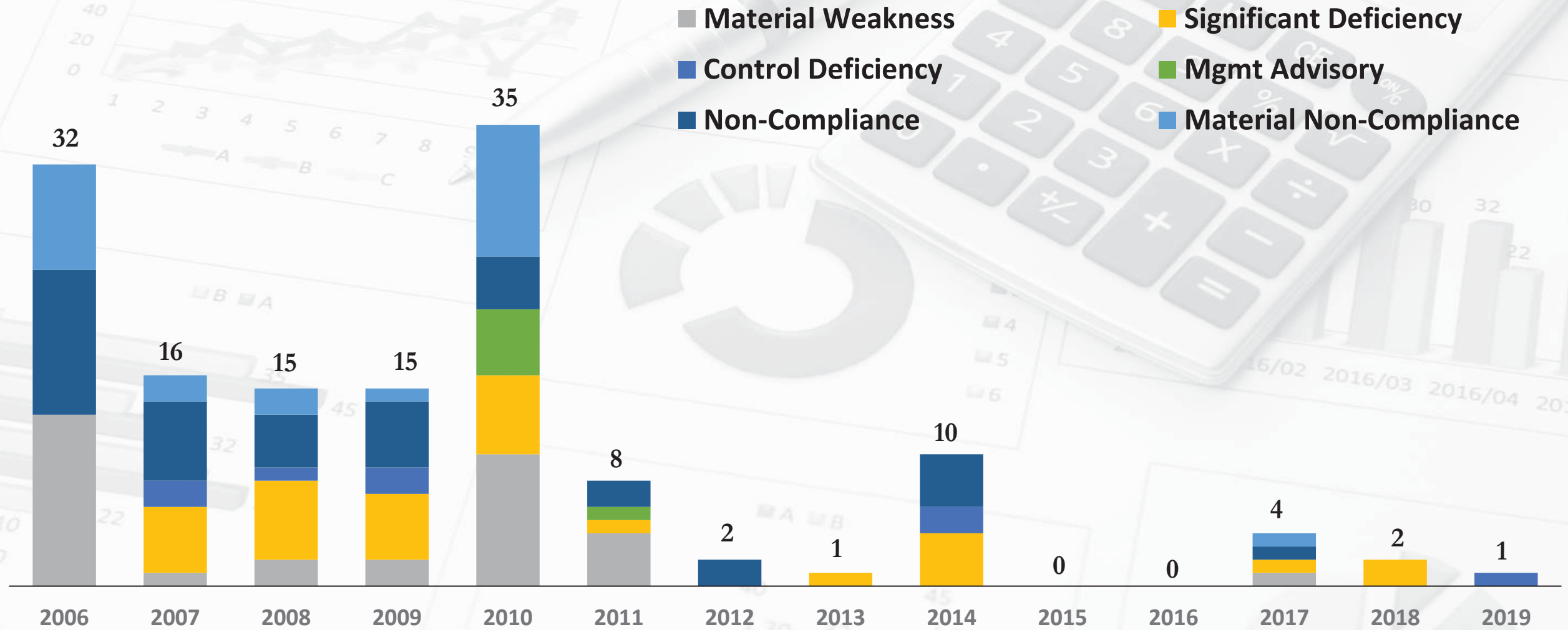


# CAFR Adjustments

Fiscal Year	Reclassifications	Change in Net Position	Assets	Liabilities	Total Adjustments
2006	636,450,877	133,473,000	153,828,000	20,220,000	46
2007	196,929,107	51,556,450	9,023,045	33,485,547	11
2008	16,236,789	15,141,262	722,689	14,418,573	14
2009	21,294,238	313,751	1,010,073	696,322	9
2010	1,863,000	545,877	1,044,909	292,904	10
2011	14,091,013	2,768,994	9,026,866	4,929,028	10
2012		15,304,086	2,208,000	49,456,120	4
2013		38,563,000	6,876,000	28,400,000	7
2014		144,000	191,925,000	199,495,000	8
2015		115,000	3,485,000	3,600,000	3
2016		26,119,754	36,468,250	2,200,000	3
2017	19,946,930	383,203	4,418,548	3,449,224	7
2018 <sup>1</sup>		20,637,296		20,637,296	1
2019					0

<sup>1</sup> Due to an error with the Fire and Police Pension Fund's actuarial report

# Single Audit Findings





CITY OF SAN ANTONIO

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Results of the FY 2019  
External Financial Audit

[Fiscal Year-Ended September 30, 2019]

