



City of Kerrville, Texas  
**FY2024 Audit Presentation to City Council**



# Introductions



Kevin Kemp, CPA

Partner



# Firm Background – Who is Forvis Mazars?

**Top 10** **\$2bn**

U.S. Public  
Accounting Firm\*

Revenue (2023)

**79**

Markets

**28**

States

**600+**

Partners & Principals

**7,000+**

Employees

\*Source: Inside Public Accounting, based on most recent rankings

2023 combined revenues: FORVIS \$1.7bn, Mazars USA (expected) \$305M

Forvis Mazars, LLP is an independent member of Forvis Mazars Global, a leading global professional services network. Ranked among the largest public accounting firms in the United States, the firm's 7,000 dedicated team members provide an Unmatched Client Experience® through the delivery of assurance, tax, and consulting services for clients in all 50 states and internationally through the global network. Visit [forvismazars.us](https://forvismazars.us) to learn more.

# The Heart of Our Success: Our People, Our Culture, Our Promise

## The Forvis Mazars Way

### We Are Forvis Mazars

**Purpose**  
Our purpose is to help those we serve unlock their full potential.

**Mission**  
Our mission is to build remarkable careers and provide an **Unmatched Client Experience®** through an uncommon commitment to excellence.

**Vision**  
Our forward vision is to be known for creating engaging opportunities, delivering innovative solutions, and building unrivaled relationships.

Be Bold

Be Your Best Self  
Excel Always

Be Builders  
Operate as One Firm  
Lead With Integrity  
Deliver an Unmatched Client Experience®

## UNMATCHED CLIENT EXPERIENCE



Listen to understand



Be responsive



Consult with purpose to deliver value

# Agenda



Audit Scope, Results and Achievements



Future Pronouncements and Other Matters



Financial Overview



Questions

# Audit Scope, Results and Achievements



# Audit Scope and Results

REPORT	RESULTS
Financial Statements Opinions	Unmodified “Clean” Opinions
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	No reportable findings
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 Uniform Guidance – Independent Auditor’s Report	No reportable findings

## Audit Scope and Results (cont.)

### Qualitative Aspects of Significant Accounting Policies and Practices

- Significant Accounting Policies
  - The City's significant accounting policies are described in *Note 1* of the audited financial statements.
- Unusual Policies or Methods
  - No matters are reportable
- 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
  - Allowance for uncollectible accounts receivable
  - Defined benefit pension plan assumptions
  - Other postemployment benefit plan assumptions
  - Landfill post-closure care liability
- Financial Statement Disclosures
  - Net pension liability
  - Total OPEB liability
  - Construction and economic development commitments

## Audit Scope and Results (cont.)


### Qualitative Aspects of Significant Accounting Policies and Practices (continued)

#### Audit Adjustments

- Proposed audit adjustments recorded:
  - Adjust net pension liability and total other postemployment benefit liability and related deferred inflows/outflows of resources (outsourced to Forvis Mazars)
  - Adjust various fund balances
  - Adjustments to convert from modified-accrual basis statements to full accrual statements (outsourced to Forvis Mazars)
- Proposed audit adjustments not recorded:
  - None

#### Auditor's Judgments About the Quality of the City's Accounting Principles

- No matters are reportable



# Future Pronouncements and Other Matters



# 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 101 is effective for the City's 2025 fiscal year.

## 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

# Accounting Updates - GASB Statement No. 102, *Certain Risk Disclosures*

## Summary

- This statement requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due.
- The statement includes four nonauthoritative examples of concentrations and constraints, including a financial resource provider, collective bargaining, mandated spending, and an employer concentration.
- GASB 102 is effective for the City's 2025 fiscal year. .

## Potential Impact

- GASB 102 requires the notes to financial statements to disclose information in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact, including descriptions of the following:
  - The concentration or constraint
  - Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
  - Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.



# Accounting Updates - GASB Statement No. 103, *Financial Reporting Model Improvements*

## Summary

- Objective is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability
- Will standardize the presentation for various matters within governmental financial statements
- GASB 103 is effective for the City's 2026 fiscal year. Earlier application is encouraged.

## Potential Impact

- GASB 103 will have an impact on the following areas:
  - management's discussion and analysis,
  - unusual or infrequent items,
  - the definitions and presentation of operating and nonoperating revenues and expenses in enterprise funds,
  - presentation of major component units,
  - presentation of budgetary information,
  - and financial trends information within the statistical section of separately issued financial reports.

# Accounting Updates - GASB Statement No. 104, *Disclosure of Certain Capital Assets*

## Summary

- Objective is to provide users of governmental financial statements with essential information about certain types of capital assets.
- This statement requires certain types of capital assets to be disclosed separately in the capital asset note disclosures.
- GASB 104 is effective for the City's 2026 fiscal year. Earlier application is encouraged.


## Potential Impact

- GASB 104 will have an impact on the following capital assets:
  - Lease assets,
  - Intangible right-to-use assets,
  - Subscription assets,
  - Intangible assets other than those three types,
  - Capital assets held for sale

# 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 31<sup>st</sup> each year for all Council Members

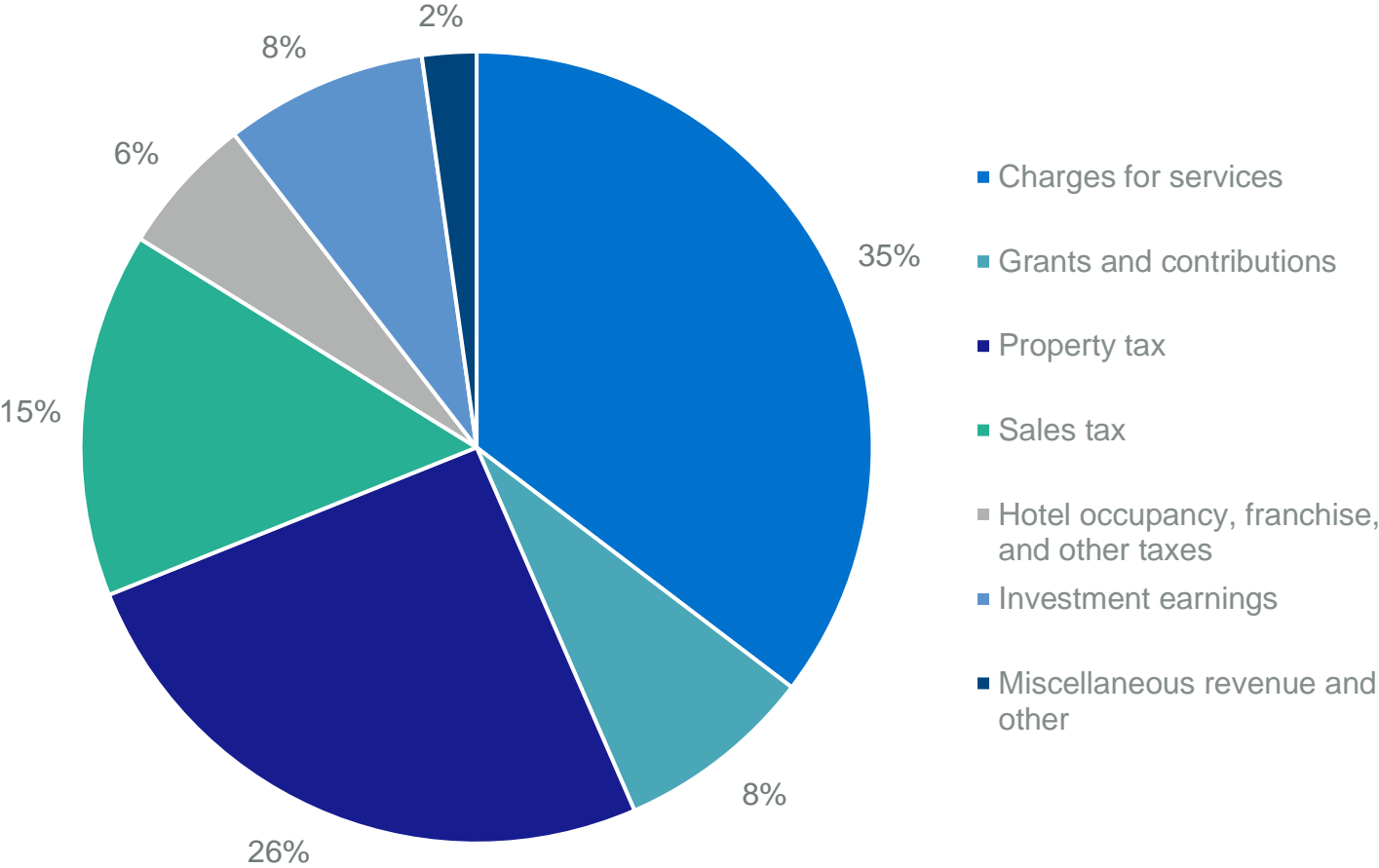


# Financial Overview and Discussion



# Kerrville Government-wide Revenues by Source

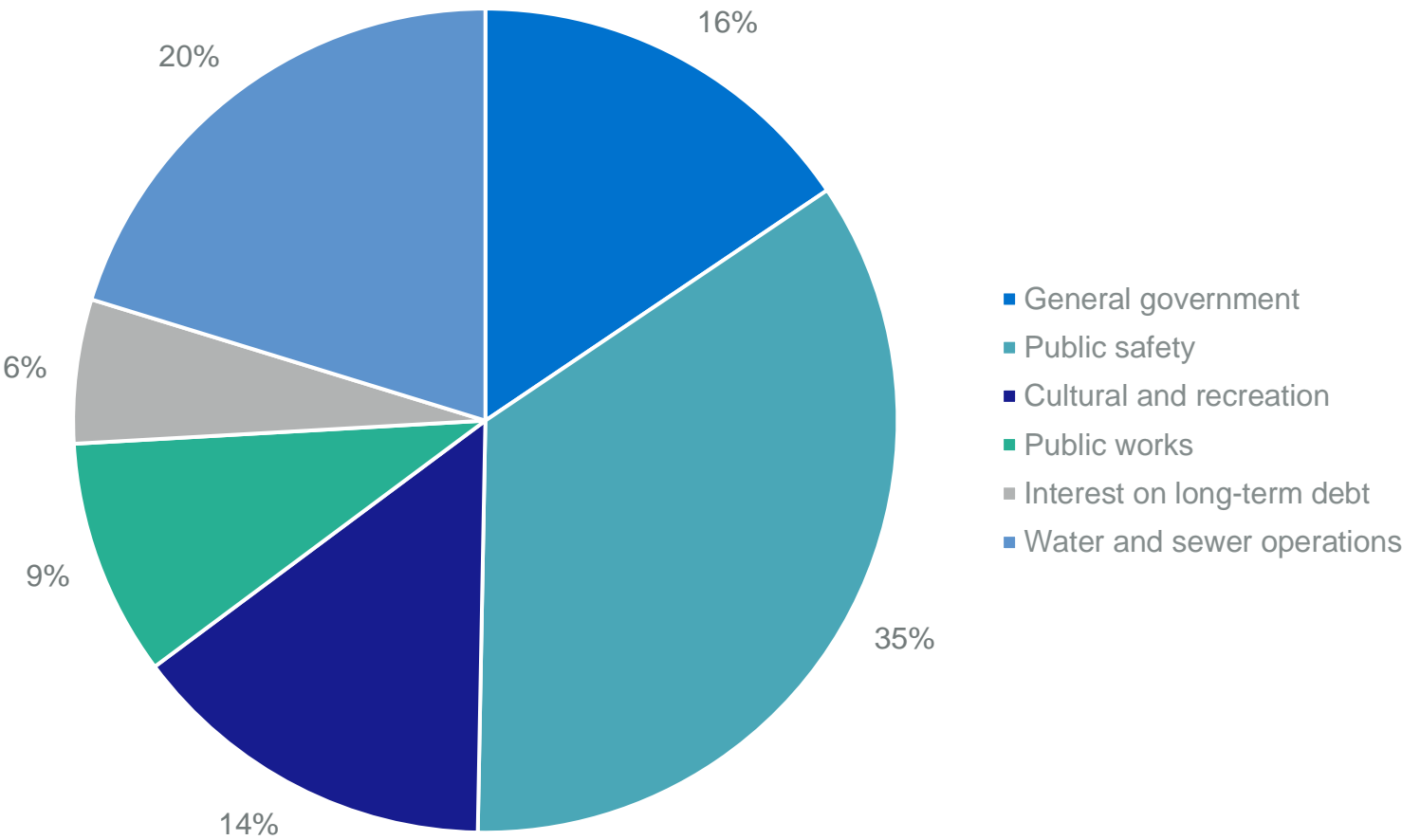
\$66.4 million





# Kerrville Government-wide Expenses by Function/Program

\$60.0 million



# Pension - Texas Municipal Retirement System – Primary Government

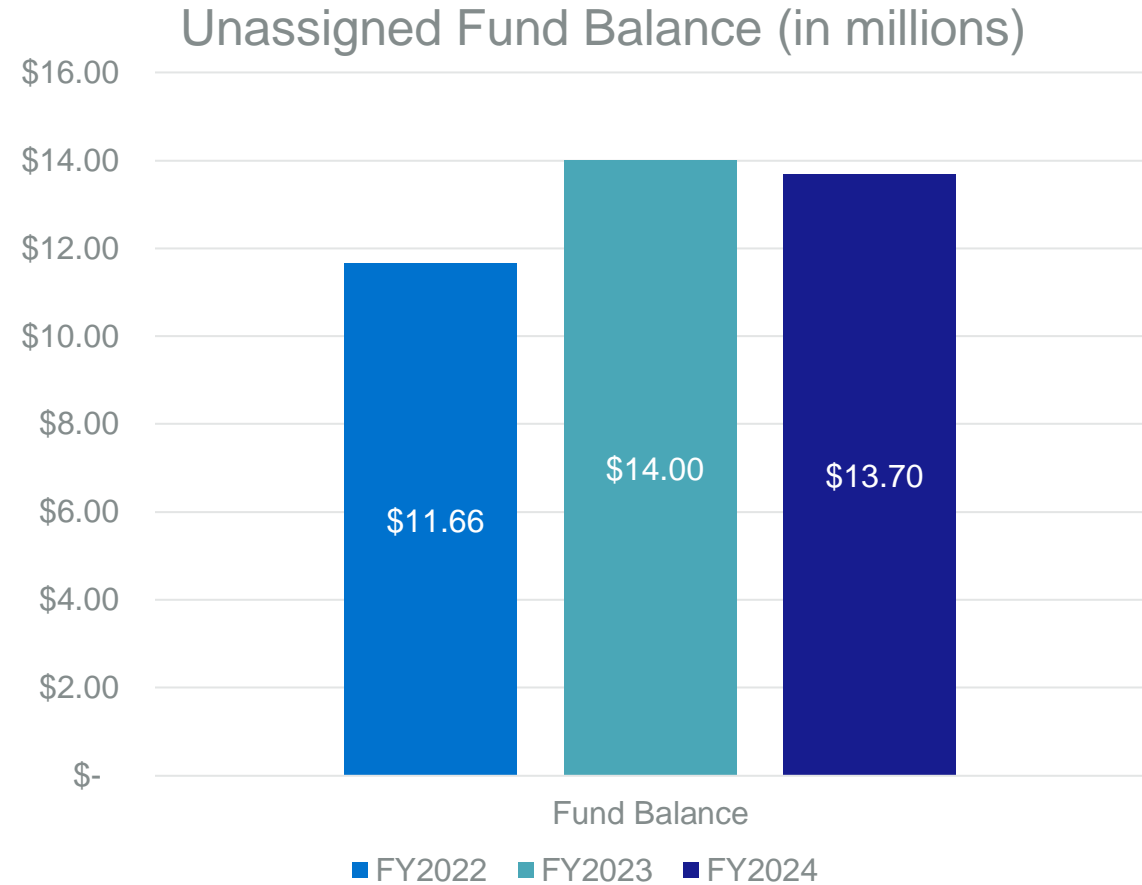
	FY2022	FY2023	FY2024
Net Pension Liability (Asset)	\$(0.8)M	\$12.8M	\$8.6M
Plan fiduciary net position as a % of the total pension liability	100.8%	87.6%	92.07%

# General Fund – Unassigned Fund Balance

Ending unassigned fund balance for the General Fund was \$13.70M

Total unassigned fund balance decreased \$270,610 or 1.9% from FY2023

Unassigned fund balance is equal to 35% of FY2024 General Fund expenditures





Questions?

# Connect with Us

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