

**AUDIT COMMITTEE
COUNCIL BRIEFING ROOM, CITY HALL
203 E. WHEATLAND ROAD
MARCH 28, 2018 @ 8:30 A.M.**

A meeting of the Audit Committee was held on Wednesday, March 28, 2018, at 8:30 a.m. with a quorum present to wit:

Steve Rutherford	Chair and Councilmember	Present
Dennis Schwartz	Mayor Pro Tem	Present – left 9:30
Leslie Thomas	Councilmember	Present – left 9:42
James Talley	Commissioner	Present
Patrick Harvey	Commissioner	Present
Todd Pruitt	Guest	Present

The meeting convened in the Council Briefing Room and was called to order at 8:34 AM by Chair Steve Rutherford.

The following staff members were also present: Richard Summerlin, Finance Director; Tia Pettis, Asst. Finance Director; Jamie Smith, Accountant; Georcha West, Accountant; Kristin Downs, Interim City Secretary; and Todd Pruitt, representing Pattillo, Brown & Hill, LLP.

Approval of Minutes:

A motion was made by Councilmember Dennis Schwartz; seconded by Patrick Harvey to approve the minutes from the September 19, 2017 Regular Meeting, passing 4-0 in favor.

Discuss the Audit of Financial Statements for the year ending September 30, 2017:

Todd Pruitt discussed the results from the audit, and the responsibility of Pattillo, Brown & Hill to the City of Duncanville. Mr. Pruitt discussed the Government Auditing Standards (GAS) Report and Communication of Governance Report. The City received a clean unmodified opinion. Mr. Pruitt stated the City's audit was free of any material errors, and no adjustments or management comments were needed. Mr. Pruitt loves working with the City of Duncanville, the staff is always prepared and continue to have clean audits with his firm. Finance Director Summerlin recognized Assistant Finance Director Pettis and staff on their hard work and the number of hours they put in during the entire auditing process. Discussion followed from Mr. Pruitt on the CAFR highlights. The budgetary schedule for Traffic Improvement & Safety Fund had a slight expenditure over budget by \$13,000. Commissioner Harvey questioned if there are any concerns with legislative changes to Redflex and if any employees are currently paid from Redflex. Director Summerlin stated one court clerk is paid as an employee and contractual services are provided by Kristine Primrose for the appeals process. Discussion on the Fieldhouse took place; projecting to break even this year with debt completed by FY 2025. Commissioner Talley questioned what major accomplishments will take place with the new finance system to replace Banner. Director Summerlin stated the new system will provide better reporting abilities, and is more user friendly. Commissioner Harvey questioned when the

new water billing system would take place and if there would be any loss of employees due to the installation of smart meters. Director Summerlin stated there wouldn't be a loss in employment. Since the new Finance system is currently being implemented, the installation of the smart meters has been pushed to a later date. Mr. Pruitt discussed the Government Auditing Standards report and the Single Audit Report. Any local government in the country that spends over \$750,000.00 of federal grant awards in a fiscal year is required to undergo a compliance audit of those federal grants in conjunction with the financial statement audit. The city expended \$883,000.00 of federal grant awards during the fiscal year. The program selected for audit was the US Department of Health and Human Services, a medical assistance program grant for ambulance services. There were no findings of question regarding the costs of the federal grant program audit.

Mayor Pro Tem Schwartz left the meeting at 9:30 AM.
Councilmember Thomas left the meeting at 9:42 AM.

City Staff left the room 9:45 AM:

An evaluation of the Finance staff from Todd Pruitt was made during the Audit process. Mr. Pruitt stated the City of Duncanville is one of his cleaner audits that do not contain a lot of adjustments. There were no issues with staff; they were top notch and very pleasant to work with.

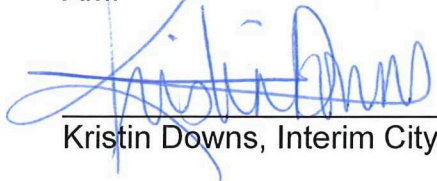
Todd Pruitt left the room and staff returned at 10:00 AM:

Tia Pettis proposed a motion to finalize the report.

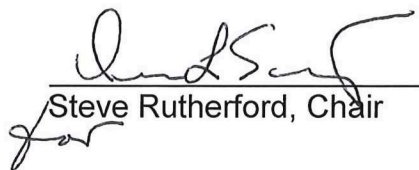
Commissioner Patrick Harvey motioned to finalize the report and Commissioner James Talley seconded. Vote 3-0, with Councilmembers Schwartz and Thomas absent.

Tia Pettis spoke on the one-year renewal contract available for the FY18 audit with Pattillo, Brown & Hill and inquired if the Audit Committee would like to continue with Pattillo, Brown & Hill. Director Summerlin stated every five years the City rotates auditors and the FY18 audit would complete five years for Pattillo, Brown & Hill. There was a unanimous consensus to continue with Pattillo, Brown & Hill

A motion and second were made to adjourn the meeting, passing 3-0 in favor, at 10:05 AM.



Kristin Downs, Interim City Secretary



Steve Rutherford, Chair

DRAFT

CITY OF DUNCANVILLE, TEXAS

SINGLE AUDIT REPORT

**YEAR ENDED
SEPTEMBER 30, 2017**

CITY OF DUNCANVILLE, TEXAS

SINGLE AUDIT REPORT

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PATTILLO, BROWN & HILL, L.L.P.
 CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' 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**

To the Honorable Mayor and
 Members of the City Council
 City of Duncanville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Duncanville, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Waco, Texas
March , 2018



PATTILLO, BROWN & HILL, L.L.P.
 CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
 EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
 COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Honorable Mayor and
 Members of the City Council
 City of Duncanville, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Duncanville, Texas' (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March [REDACTED], 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Uniform Guidance* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Waco, Texas
March [REDACTED], 2018

CITY OF DUNCANVILLE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-through Entity Identifying Number	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS				
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Dallas County:				
Community Development Block Grant (CDBG)	N/A	14.218	\$ 165,327	\$ -
Total Passed through Dallas County			<u>165,327</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>165,327</u>	<u>-</u>
<u>U. S. Department of Justice</u>				
Passed through the State of Texas Governor's Office:				
Crime Victim Assistance	2015-VA-GX-0009	16.575	49,030	-
Edward Byrne Memorial Justice Assistance Grant Program	2016-DJ-BX-0186	16.738	6,462	-
Equitable Sharing Program	TX0570900	16.922	105,449	-
Total Passed through the State of Texas Governor's Office			<u>160,941</u>	<u>-</u>
Total U. S. Department of Justice			<u>160,941</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
<u>Centers for Medicare and Medicaid Services</u>				
Passed through the Texas Health and Human Services Commission:				
Medical Assistance Program -				
Ambulance Services Uncompensated Care Cost	086377101	93.778	357,048	-
Total Passed through the Texas Health and Human Services Commission			<u>357,048</u>	<u>-</u>
Total U.S. Department of Health and Human Services - Centers for Medicare and Medicaid Services			<u>357,048</u>	<u>-</u>
<u>Federal Emergency Management Agency</u>				
Direct program:				
Assistance to Firefighters Grant	EMW-2016-FO-01315	97.044	200,604	-
Total Federal Emergency Management Agency			<u>200,604</u>	<u>-</u>
Total Federal Awards			<u>\$ 883,920</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

CITY OF DUNCANVILLE, TEXAS

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

SEPTEMBER 30, 2017

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the City. The City's reporting entity is defined in Note 1 of the basic financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Indirect Costs

The City has elected not to use the 10% de minimis indirect cost rate as allowed in the *Uniform Guidance*.

CITY OF DUNCANVILLE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance?	None
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Identification of major programs:

CFDA Number: 93.778	Name of Federal Programs: Medicaid Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

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CITY OF DUNCANVILLE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

None



P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

To the Honorable Mayor and
Members of the City Council
City of Duncanville, Texas

We have audited the financial statements of the City of Duncanville, Texas (City) as of and for the year ended September 30, 2017, and have issued our report thereon dated March 28, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 7, 2017, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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**Governmental Audit
Quality Center**

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the allowance for uncollectible accounts receivable is based on historical collection rates. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of accumulated depreciation on capital assets is based on the related estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the net pension liability and net OPEB obligation are based on actuarial assumptions which are determined by the demographics of the plan and future projections that the actuary makes based on historical information of the plan and the investment market. We evaluated the key factors and assumptions used to develop the net pension liability and net OPEB obligation and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to the City's net pension liability and net OPEB obligation.

The disclosures in the financial statements are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated March 28, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Significant Forthcoming Accounting Standards

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for periods beginning after June 15, 2017. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or "OPEB"). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

These new standards relate only to the accounting and reporting of OPEB plans within the GAAP based financial statements of governmental entities. They do not establish requirements as to the actual funding of these benefits. These decisions are left to management and the governing body.

This Statement may have a material impact on recorded OPEB liabilities compared to application of current standards. Your processes should be updated to incorporate the new information requirements and the City should begin to gather information now to determine the future impacts on financial reporting.

Restriction on Use

This report is intended solely for the information and use of the City Council, Audit Committee and management of the City of Duncanville, Texas, and is not intended to be, and should not be, used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2018