

Mayor Tedder and Councilman Pettke,

We were asked to address some questions brought up in a public information act request. We have answered these questions below, BC responses are in blue:

EMAIL FROM PAT NOONAN - PIA

For 2012, there appears to have been a significant reclassification of expenses in the Audit Report prepared by BrooksCardiel, PLLC. [This is correct. We requested the prior auditor's grouping and he could not or would not comply. The City did not keep this information themselves. Additionally, we typically don't show repairs and maintenance on their own, but can do so on your request. It depends on how much the City spends on these categories.](#) in that Supplies, Repairs and Maintenance (as shown in the Audit Report) are off by \$85,264 (net) for 2012.

The unexplained differences for Contractual Services are off by \$85,139, \$90,415, \$67,283 and \$44,481 for the years 2009 through 2012. The table below summarizes all of this for your convenience.

	2009	2010	2011	2012
<u>Supplies</u>				
Audit Report	15,653	20,725	19,852	123,977
DWG Records	<u>15,653</u>	<u>20,725</u>	<u>19,852</u>	<u>14,906</u>
Unexplained Difference	-	-	-	109,071
<u>Repairs and Maintenance</u>				
Audit Report	55,209	67,391	134,807	-
DWG Records	<u>55,209</u>	<u>67,391</u>	<u>134,807</u>	<u>23,807</u>
Unexplained Difference	-	-	-	(23,807)
<u>Contractual Services</u>				
Audit Report	711,874	754,803	942,641	846,451
DWG Records	<u>626,735</u>	<u>664,388</u>	<u>875,358</u>	<u>801,970</u>
Unexplained Difference	85,139	90,415	67,283	44,481
Total Unexplained Expenses	85,139	90,415	67,283	129,745

[We can't answer to years 2009-2012. See attached WTB-Detail file. Amounts clearly have to do with account grouping.](#)

How did the firm produce the 2012 Report in only four months? [We should be able to produce a report for a City the size of Dalworthington Gardens in about 3 weeks. Once we started, I believe we took roughly 5 weeks due to Dalworthington Gardens being a new client.](#)

Was there a desire or need to show higher levels of profits for the City in 2011 than the Arlington auditor would sign off on? [We had several restatements. The net of these restatements was for \\$8,785.](#)

(general and water & sewer) Overall this is an immaterial number for the size of the City. Our reasons for stating are as follows (per disclosure in 2012 report):

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Parks and Recreation Facility Development</u>	<u>Crime Control Control and Prevention</u>
Prior year ending net position fund balance as reported	\$ 2,913,503	\$ 1,451,742	\$ 191,625	\$ 49,954
(A) Change in reporting of sales tax accrual	103,126	52,509	25,973	24,644
(B) Change in reporting of property taxes	(19,810)	(19,810)	-	-
(C) Change in reporting of liabilities	2,269	2,269	-	-
(D) Restatement for correction of errors	(14,211)	(14,211)	-	-
(E) Restatement for net pension obligation	(52,215)	-	-	-
Restated beginning net position/fund balance	<u>\$ 2,932,662</u>	<u>\$ 1,472,499</u>	<u>\$ 217,598</u>	<u>\$ 74,598</u>

	<u>Business-Type Activities</u>	<u>Water, Sewer & Sanitation</u>
Prior year ending net position as reported	\$ 2,193,722	\$ 2,193,722
(D) Restatement for correction of errors	9,353	9,353
(F) Change in reporting of bad debt	(15,521)	(15,521)
Change in reporting of capital assets	434	434
(E) Restatement for net pension obligation	(4,640)	(4,640)
Restated beginning net position	<u>\$ 2,183,348</u>	<u>\$ 2,183,348</u>

A: Sales tax was restated to reflect the more common practice of stating 2 months of sales tax as receivable each year. Prior to this adjustment sales tax was reported on a cash basis which is not GAAP.

B: Also restated to reflect current governmental best practices for state of Texas. Previously an allowance for doubtful accounts was recorded by the City. Because property taxes are placed as a lien against the house when a sale is eventually made, these taxes are eventually 100% receivable and will be collected.

C: These liabilities had been on the City's for several years with no change to the amount. Likely from the City's conversion to Incode several years ago. Although immaterial, BC used this opportunity to clean up the City's trial balance since a restatement was already necessary.

D: These were unsupported assets on the City's TB that had also been listed for several years, written off due to lack of support.

E: The City has not made its full pension obligation for several years (TMRS retirement fund). Current generally accepted accounting practice requires the net pension obligation to be recorded.

F: BrooksCardiel recorded bad debt for accounts that were uncollectible. Governmental best practices encourage all accounts that are 60+ days overdue to be written off.

We ask this because the Houston firm's 2012 report nearly tripled the City's profit for 2011 without a corresponding increase in cash – without disclosure. This is incorrect. As stated earlier, we increased the City's Net Position by \$8,785. This is not the same as affecting profit and is a cumulative change.