

2023 External Audit Presentation and Discussion

City of Dallas



Team in Attendance



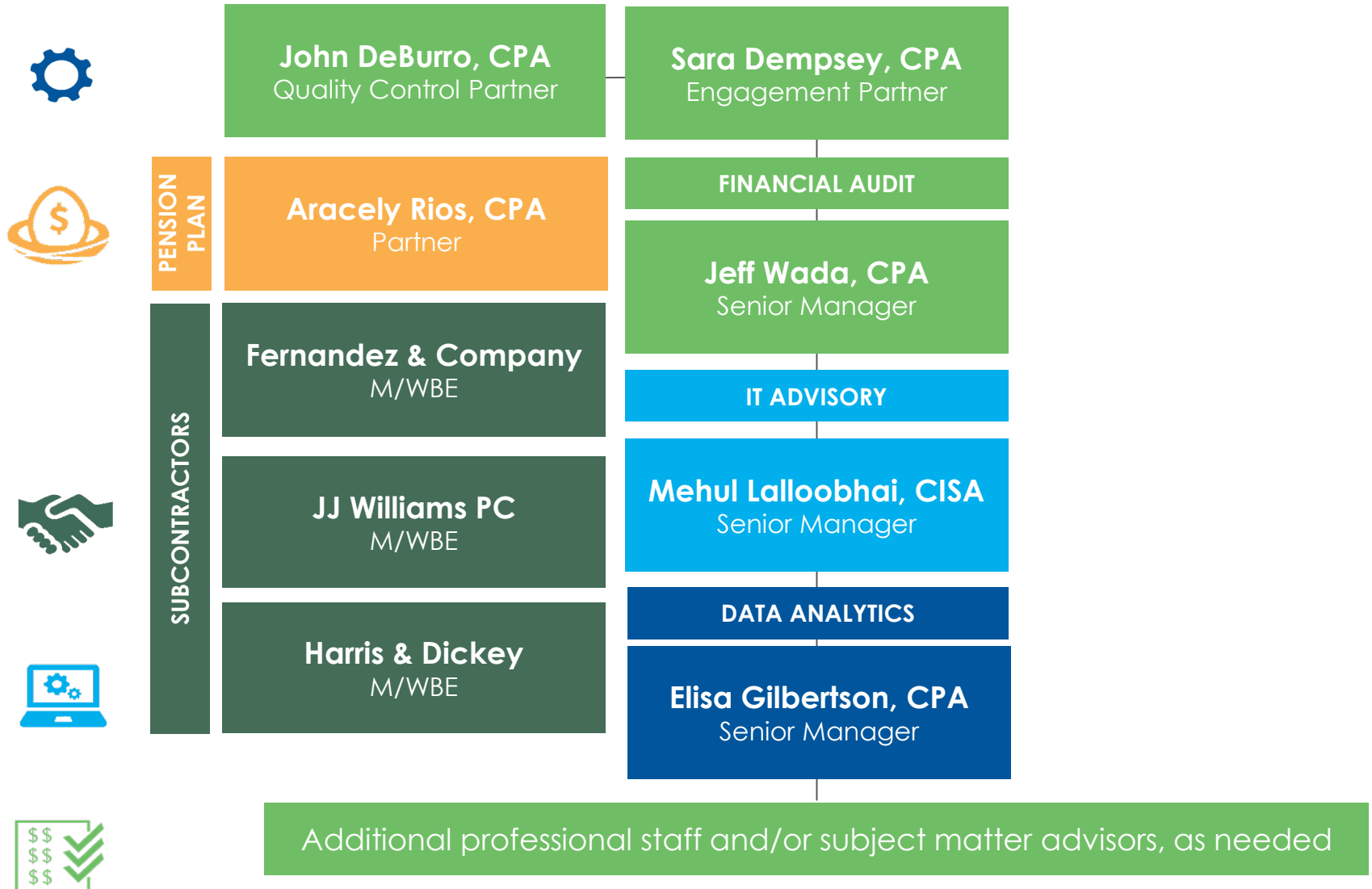
Sara Dempsey, CPA
Partner-in-Charge,
Government Services

- ▶ **20 years** of public accounting experience
- ▶ Served on the **AICPA State and Local Government Expert Panel**, Special Review Committee for the GFOA, and **the Financial Reporting and Regulatory Response Committee** of the GFOA of Texas
- ▶ Dallas office

Jeff Wada, CPA
Senior Manager,
Government Services

- ▶ **10+ years** of public accounting experience
- ▶ Member of the **TXCPA**
- ▶ Serves on the Special Review Committee for the GFOA
- ▶ Dallas office

Audit Organization



Audit Testing

Our audit process is a risk-based approach in which we identified potential areas of risk that could lead to material misstatement of the financial statements.

Financial Statement Level Risk	Procedures Performed
Management override of internal controls	- tested approval of journal entries - tested approval of cash disbursements - tested approval of payroll disbursements - tested bid procedure process - tested valuation process - tested budget amendments - agreed disclosures to support - tested estimates for reasonableness
Audit Area Risks	Procedures Performed
Improper revenue recognition for DWU, Aviation, Convention Center, and Sanitation	- tested existence, valuation, and cutoff of receivables and revenue - obtained customer activity and detail for evidence of the service being performed and that payment was received - recalculated revenue using authorized rates and meter readings - performed analytical procedures
Improper grant revenue and receivable recognition	- agreed amounts recorded in the general ledger to the final Schedule of Federal and State Awards - tested expenditures to ensure they were allowable costs and eligible for reimbursement - tested receipts from granting agencies - read grant agreements to test for compliance

Audit Testing, continued

Audit Area Risks	Procedures Performed
Improper revenue recognition for other funds	- tested existence, valuation, and cutoff of receivables and revenue - obtained detail for evidence of the service being performed and that payment was received - performed analytical procedures
Capital assets	- inspected records and documents related to significant projects - vouched transactions to invoices, pay apps, and bid procedures
Long-term liabilities	- tested the existence and occurrence of long-term liabilities - tested the disclosures and presentation - tested covenants and continuing disclosures
Evaluation of estimates	- evaluated the reasonableness of significant estimates, such as allowance for doubtful accounts
Right-to-use assets Leases and SBITAs (GASB 87 and 96)	- tested the existence and occurrence, and completeness of leases and subscription-based information technology arrangements (SBITA) - tested the disclosures and presentation - read lease and SBITA contracts on a sample basis

Audit Testing, continued

Other Areas	Procedures Performed
Information Technology	- logical security: access is authenticated and approved - change management: tested process of implementing new applications and system changes - computer operations: critical data is backed up regularly
Investments	- tested valuation, fair value, disclosures, and Public Funds Investment Act
Risks, uncertainties, contingencies	- read City Council and GPFM Committee minutes - inquired of management - received attorney letter - read contracts and agreements
Performed data mining procedures	- obtained detail of disbursements, approved vendors, payroll transactions, addresses - tested significant vendors, employees paid after termination dates, employees with significant overtime

Other areas tested:

- Passenger Facilities Charge compliance
- Love Field Airport Modernization Corporation and related transactions
- TCEQ compliance

Completed:

- Annual Comprehensive Financial Report
- Downtown Dallas Development Authority Tax Increment Financing District

Pending Completion:

- Federal and State Single Audit, estimated completion by 5/31
- Dallas Water Utilities and Airport Revenues Fund audits
- Passenger Facility Charge compliance audit
- Texas Commission on Environment Quality financial assurance agreed-upon procedures
- Dallas Convention Center Hotel Development Corporation, a 12/31 year end. Audit begins April of 2024.

Financial Audit Results

Type of Report:	UNMODIFIED
Internal control over financial reporting:	
Any material weaknesses identified?	NO
Any significant deficiencies that are not material weaknesses?	NO
Any noted noncompliance material to financial statements?	NO

Required Communications

Communication	Results
Audit Adjustments	No audit adjustments
Management representations	We requested certain representations from management that were included in the management representation letter.
Auditor independence	No independence issues noted.
Other information contained in documents containing audited financial statements	We performed limited procedures on the Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI). We did not provide any assurance on this information and other supplementary information.
Management judgments and accounting estimates	Management's estimates of allowances for uncollectible receivables were evaluated and determined to be reasonable in relation to the financial statements as a whole.

FINANCIAL HIGHLIGHTS

Government-Wide (in millions)



	2023	2022	2021	2020	2019
Governmental					
Change in net position	\$ 490	\$ 622	\$ 857	\$ 400	\$ 118
Total net position	\$ (332)	\$ (822)	\$ (1,447)	\$ (2,304)	\$ (2,704)
Ending unrestricted net position	\$ (4,434)	\$ (4,553)	\$ (4,942)	\$ (5,561)	\$ (5,752)
Capital assets, net	\$ 5,205	\$ 4,895	\$ 4,703	\$ 4,453	\$ 4,277
Business-type					
Change in net position	\$ 269	\$ 245	\$ 92	\$ 63	\$ 42
Total net position	\$ 4,068	\$ 3,856	\$ 3,618	\$ 3,526	\$ 3,463
Ending unrestricted net position	\$ (167)	\$ (156)	\$ (266)	\$ (286)	\$ (224)
Capital assets, net	\$ 7,848	\$ 7,553	\$ 7,287	\$ 7,187	\$ 7,071

Total net position increased for both governmental and business-type activities in 2019-2023.

Unrestricted net position continued to increase in 2023 for the governmental activities.

Unrestricted net position decreased for business-type activities in 2023.

Capital assets, net continued to increase in 2023 for both governmental and business-type activities.

Capital assets include lease and SBITA assets due to GASB 87 and GASB 96 implementations in 2022 and 2023.

Property Tax Rate and Debt



	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Governmental					
Tax rate (per \$100 valuation)					
Total	0.7458	0.7733	0.7763	0.7766	0.7767
General Fund	0.5403	0.5658	0.5688	0.5691	0.5667
Debt Service Fund	0.2055	0.2075	0.2075	0.2075	0.2100
Taxable assessed valuation (in billions)	\$ 179.4	\$ 155.9	\$ 147.4	\$ 140.2	\$ 130.1
Total GO Debt (in billions)	\$ 1,816	\$ 1,660	\$ 1,667	\$ 1,657	\$ 1,808
Debt service expenditures as a percentage of noncapital expenditures	16.06%	20.55%	20.80%	15.57%	16.46%

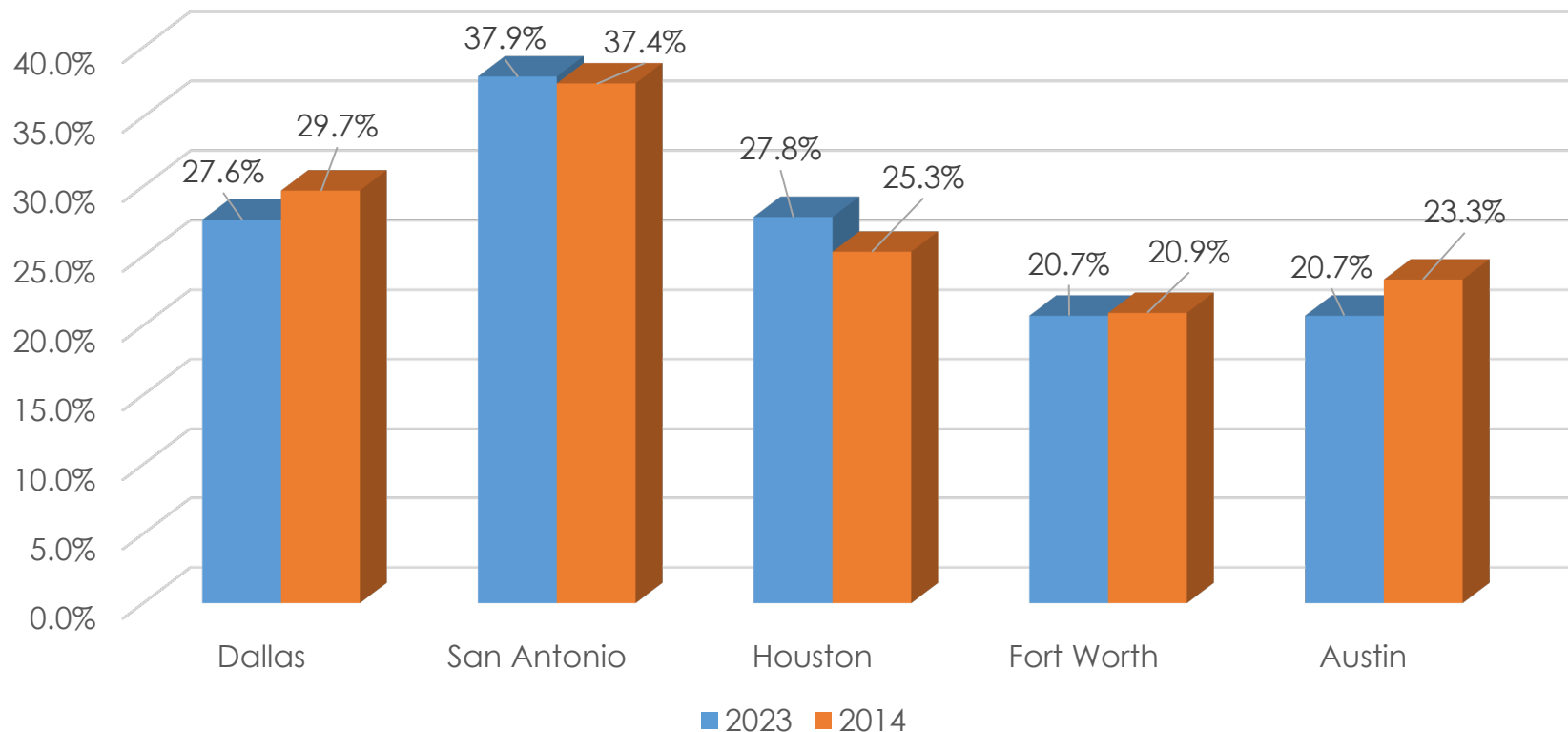
Total tax rate has decreased annually from 2019-2023.

Debt service tax rate has decreased or remained flat since 2019.

Taxable assessed valuation has increased annually from 2019-2023.

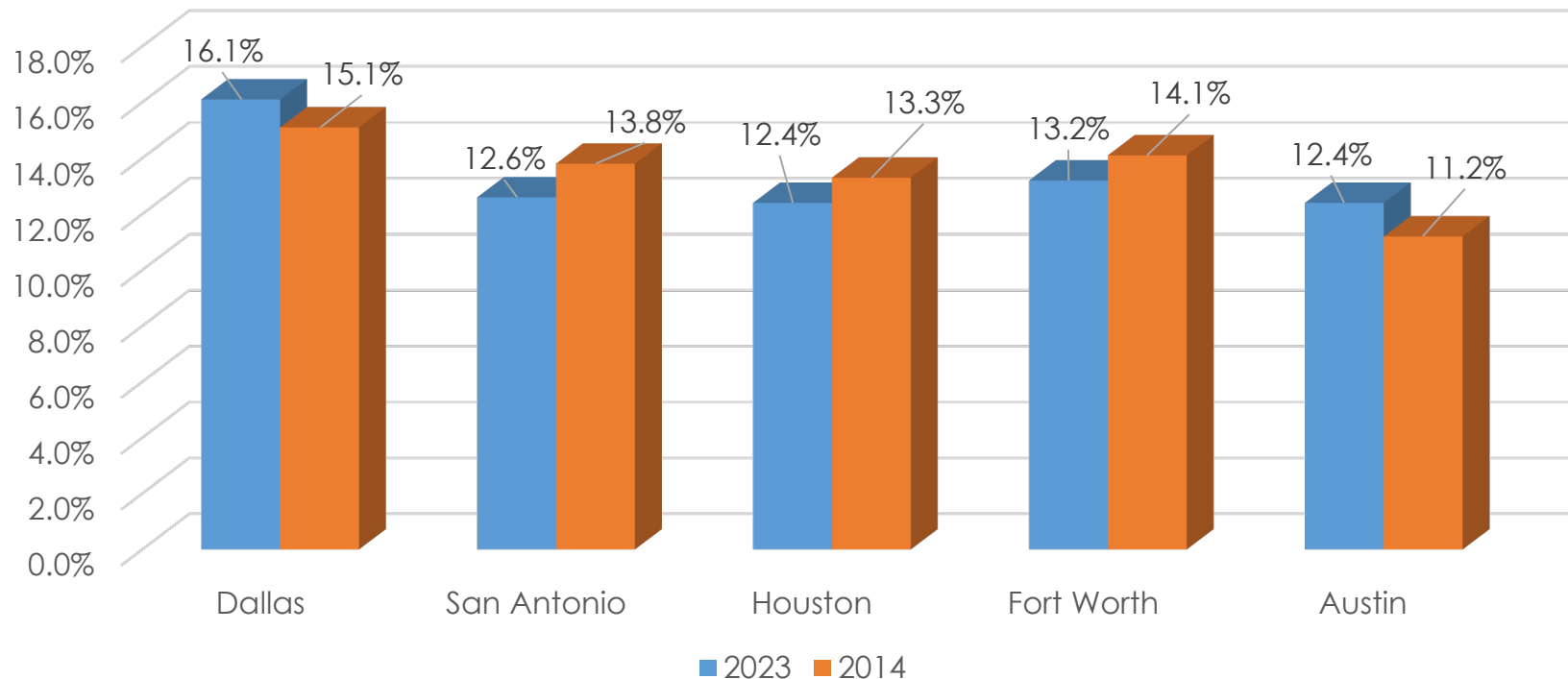
Debt service expenditures as a percentage of noncapital expenditures decreased in 2020, 2022, and 2023.

Debt Service Component of Tax Rate as a Percentage of Total Rate



The City of San Antonio's 2023 financial statements were not published at the time this presentation was created, so the 2022 balance was used.

Debt Service Expenditures as a Percentage of Non-Capital Expenditures



The City of San Antonio's 2023 financial statements were not published at the time this presentation was created, so the 2022 balance was used.

General Fund (in millions)



	2023	2022	2021	2020	2019
General Fund Balance					
Total fund balance	\$ 467.3	\$ 442.3	\$ 400.5	\$ 344.6	\$ 297.2
Unassigned	\$ 386.7	\$ 370.6	\$ 324.3	\$ 277.5	\$ 234.2
General Fund expenditures	\$ 1,674.4	\$ 1,477.2	\$ 1,378.3	\$ 1,285.4	\$ 1,280.7
Unassigned general fund balance					
as a percentage of expenditures	23.09%	25.09%	23.53%	21.59%	18.29%
Excess (deficiency) of revenues over					
(under) expenditures	\$ (50.6)	\$ 48.7	\$ 48.6	\$ 41.8	\$ 30.2
Transfers in(out) of general fund, net	\$ (8.6)	\$ (7.4)	\$ 6.7	\$ 5.3	\$ (165.3)

Total fund balance of the general fund has increased annually from 2019-2023.

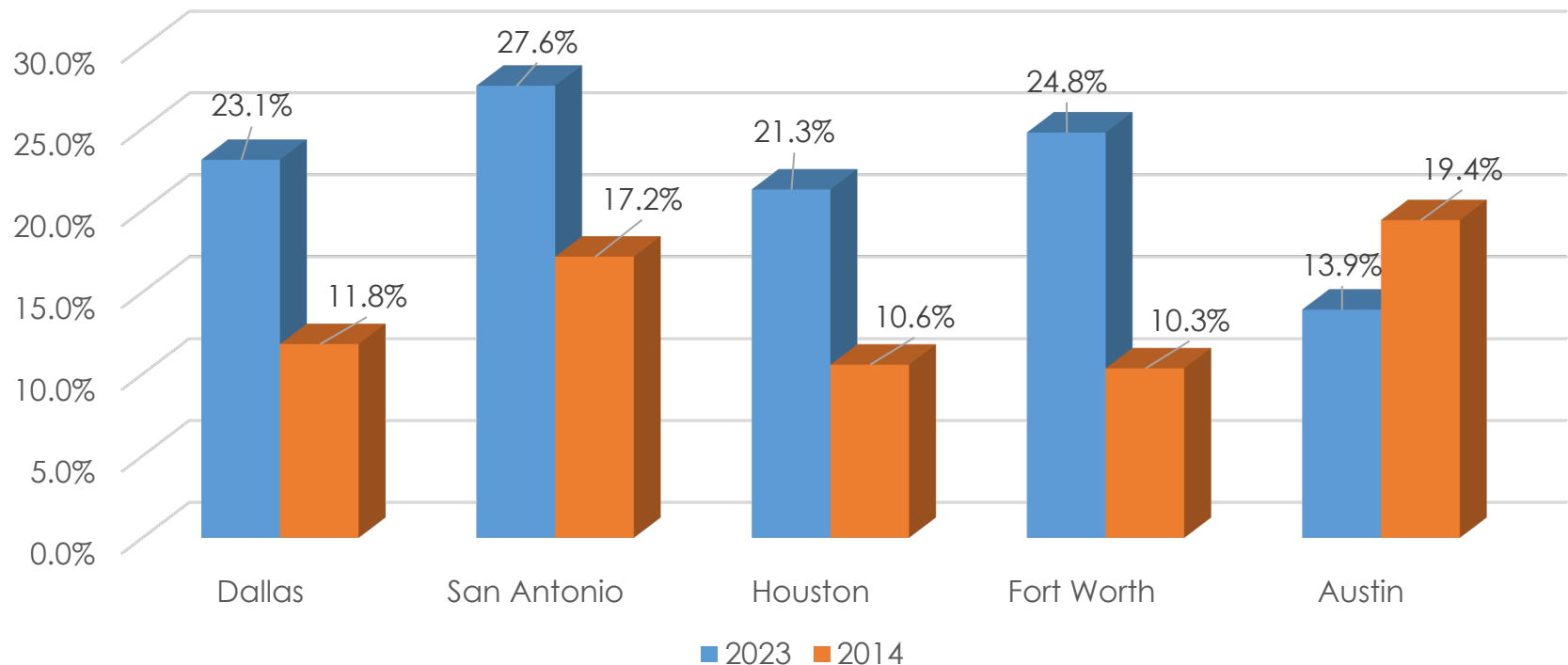
The unassigned fund balance has increased annually from 2019-2023.

The unassigned fund balance as a % of expenditures increased from 2019-2022 and decreased in 2023.

Transfers were a net transfer in during 2021 and 2020, and transfers were a net transfer out during 2023, 2022, and 2019.

General Fund Balance decreased as a result of the inception of new leases in the current year. The capital outlay associated with new leases is included in the total expenditures; however the inception of new leases is recorded in other financing sources.

Unassigned General Fund Balance as a Percentage of General Fund Expenditures



The City of San Antonio's 2023 financial statements were not published at the time this presentation was created, so the 2022 balance was used.

Enterprise Funds



	2023	2022	2021	2020	2019
Income (loss) before transfers and contributions					
Dallas Water Utilities	\$ 133.3	\$ 161.6	\$ 55.1	\$ 56.2	\$ 30.5
Convention Center	\$ 48.2	\$ 11.3	\$ (4.6)	\$ 1.4	\$ 16.5
Airport revenue	\$ 94.5	\$ 70.6	\$ 21.2	\$ 26.3	\$ 25.4
Sanitation	\$ (8.5)	\$ 11.8	\$ 6.2	\$ 6.1	\$ (7.7)
Total capital assets, net					
Dallas Water Utilities	\$ 6,089.0	\$ 5,788.0	\$ 5,599.0	\$ 5,496.0	\$ 5,366.0
Convention Center	\$ 368.0	\$ 386.0	\$ 398.0	\$ 415.0	\$ 433.0
Airport revenue	\$ 1,297.0	\$ 1,291.0	\$ 1,220.8	\$ 1,208.0	\$ 1,204.0
Sanitation	\$ 71.0	\$ 68.0	\$ 66.0	\$ 65.0	\$ 66.0
Revenue bond coverage					
Dallas Water Utilities	2.26	2.10	1.63	1.68	1.74
Convention Center	3.78	2.00	1.10	1.50	2.10
Airport revenue	2.25	2.11	1.83	4.36	3.47
Sanitation	n/a	n/a	n/a	n/a	n/a

DWU income increased in 2020 and 2022, and decreased in 2019, 2021, and 2023.

Revenue bond coverage for DWU increased in 2022 and 2023 and decreased in 2019, 2020, and 2021.

Revenue bond coverage for Convention Center increased in 2019, 2022, and 2023 and decreased in 2020, and 2021.

Revenue bond coverage for Airport increased in 2019, 2020, 2022, and 2023 and decreased in 2021.

Risk funds, OPEB, Pension, & Landfill (in millions)



	2023	2022	2021	2020	2019
Internal service net position					
Risk funds deficit	\$ (97.9)	\$ (76.4)	\$ (47.2)	\$ (64.0)	\$ (23.5)
Risk funds total liability	\$ 174	\$ 140	\$ 132	\$ 132	\$ 85
Risk funds deficit as a % of total general fund balance	20.95%	17.27%	11.79%	18.57%	7.91%
Landfill closure and post-closure liability	\$ 54	\$ 49	\$ 47	\$ 45	\$ 44
Net pension liability	\$ 6,461	\$ 4,029	\$ 5,703	\$ 4,693	\$ 4,739
Total OPEB liability	\$ 208	\$ 222	\$ 266	\$ 531	\$ 565

The City's self-insured risk activities are being funded on a pay-as-you-go basis.

The risk fund deficit as a % of total fund balance increased in 2020, 2022 and 2023 and decreased in 2019 and 2021.

The landfill closure and post-closure liability has increased between 2019-2022.

The net pension liability decreased in 2020 and 2022 and increased in 2019, 2021, and 2023.

The total OPEB liability decreased in 2020-2023 and increased in 2019.

DISCUSSION



Contact Us

Sara Dempsey

Partner, Assurance Services

Direct: (972) 448.6958

Email: sara.dempsey@weaver.com