

2022 External Audit Presentation and Discussion

City of Dallas



Team in Attendance



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

- ▶ **19+ 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

- ▶ **9+ 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - inspected records and documents related to significant projects - vouched transactions to invoices, pay apps, and bid procedures
Long-term liabilities	<ul style="list-style-type: none"> - tested the existence and occurrence of long-term liabilities - tested the disclosures and presentation - tested covenants and continuing disclosures
Evaluation of estimates	<ul style="list-style-type: none"> - evaluated the reasonableness of significant estimates, such as allowance for doubtful accounts
Leases (GASB 87)	<ul style="list-style-type: none"> - tested the existence and occurrence, and completeness of leases - tested the disclosures and presentation - read lease contracts on a sample basis

Audit Testing, continued

Other Areas	Procedures Performed
Information Technology	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - tested valuation, fair value, disclosures, and Public Funds Investment Act
Risks, uncertainties, contingencies	<ul style="list-style-type: none"> - read City Council and GPFM Committee minutes - Inquired of management - received attorney letter - read contracts and agreements
Performed data mining procedures	<ul style="list-style-type: none"> - 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

Deliverables

Completed:

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

Pending Completion:

- Federal Single Audit
- State Single Audit
- Dallas Convention Center Hotel Development Corporation
- Dallas Water Utilities
- Airport Revenues Fund and Passenger Facility Charge compliance
- Texas Commission on Environment Quality financial assurance agreed-upon procedures

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)



	2022	2021	2020	2019	2018
Governmental					
Change in net position	\$ 622	\$ 857	\$ 400	\$ 118	\$ 1,228
Total net position	\$ (822)	\$ (1,447)	\$ (2,304)	\$ (2,704)	\$ (2,822)
Ending unrestricted net position	\$ (4,553)	\$ (4,942)	\$ (5,561)	\$ (5,752)	\$ (5,904)
Capital assets, net	\$ 4,895	\$ 4,703	\$ 4,453	\$ 4,277	\$ 4,085
Business-type					
Change in net position	\$ 245	\$ 92	\$ 63	\$ 42	\$ 152
Total net position	\$ 3,856	\$ 3,618	\$ 3,526	\$ 3,463	\$ 3,420
Ending unrestricted net position	\$ (156)	\$ (266)	\$ (286)	\$ (224)	\$ (143)
Capital assets, net	\$ 7,553	\$ 7,287	\$ 7,187	\$ 7,071	\$ 6,890

Total net position increased for both governmental and business-type activities in 2018-2022.

Unrestricted net position continued to increase in 2022 for both governmental and business-type activities.

Capital assets, net continued to increase in 2022 for both governmental and business-type activities.

Capital assets include right-to-use lease assets due to GASB 87 implementation beginning in 2022.

Property Tax Rate and Debt



	2022	2021	2020	2019	2018
Governmental					
Tax rate (per \$100 valuation)					
Total	0.7733	0.7763	0.7766	0.7767	0.7804
General Fund	0.5658	0.5688	0.5691	0.5667	0.5580
Debt Service Fund	0.2075	0.2075	0.2075	0.2100	0.2224
Taxable assessed valuation (in billions)	\$ 155.9	\$ 147.4	\$ 140.2	\$ 130.1	\$ 118.3
Total GO Debt (in billions)	\$ 1,660	\$ 1,667	\$ 1,657	\$ 1,808	\$ 1,558
Debt service expenditures as a percentage of noncapital expenditures	20.55%	20.80%	15.57%	16.46%	15.23%

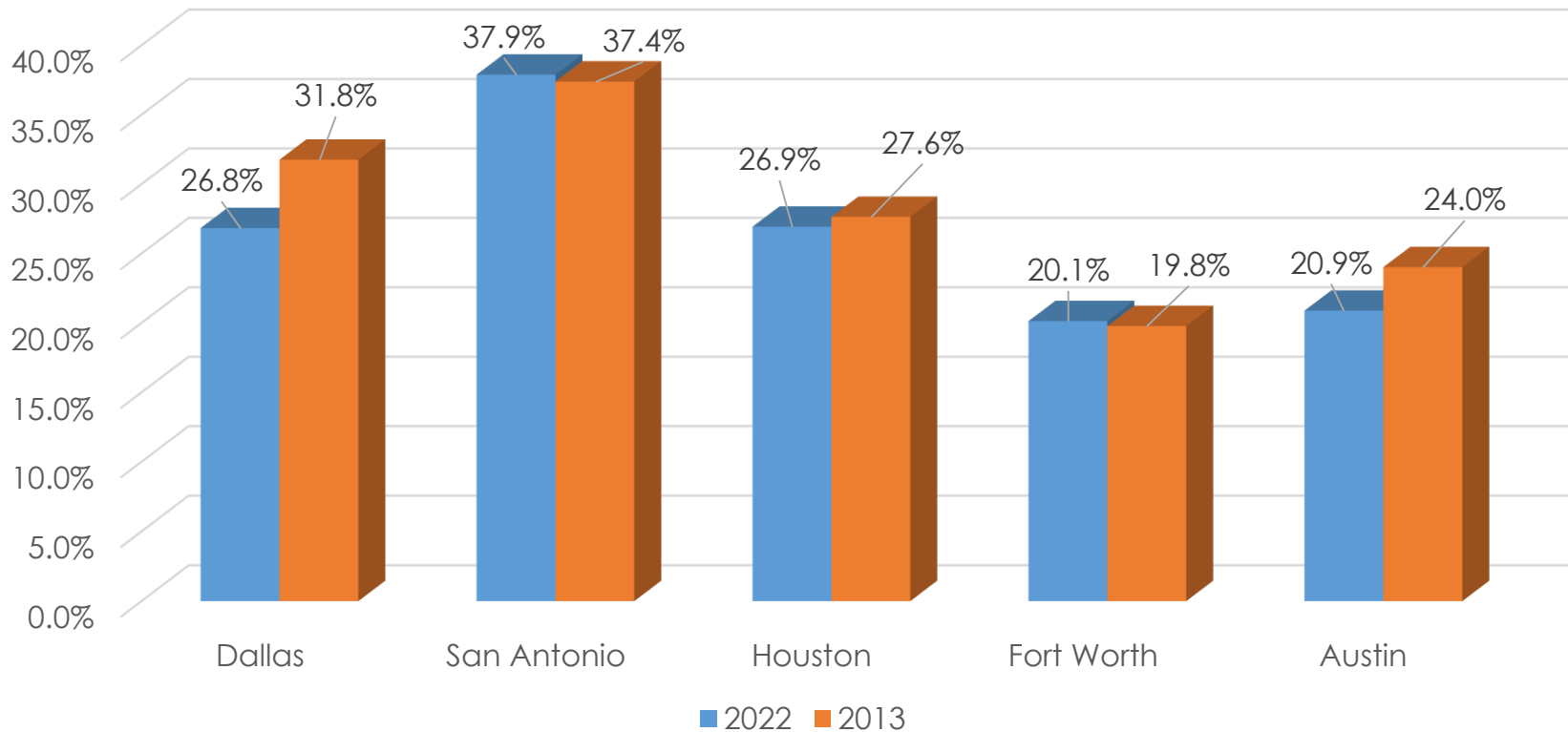
Total tax rate has decreased annually from 2018-2022.

Debt service tax rate has decreased or remained flat since 2018.

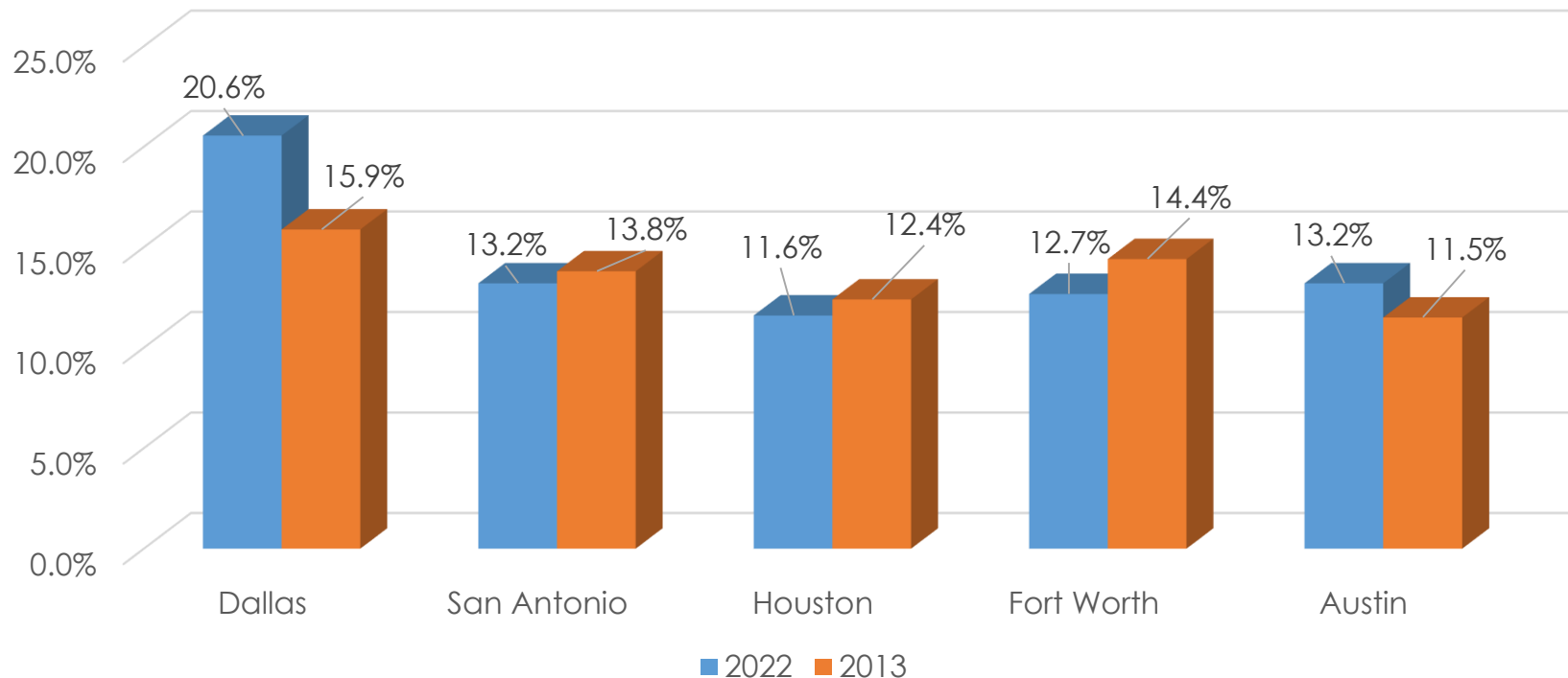
Taxable assessed valuation has increased annually from 2018-2022.

Debt service expenditures as a percentage of noncapital expenditures decreased in 2018, 2020, and 2022.

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



Debt Service Expenditures as a Percentage of Non-Capital Expenditures



The City of San Antonio's 2022 financial statements were not published at the time this presentation was created, so the 2021 balance was used.

General Fund (in millions)



	2022	2021	2020	2019	2018
General Fund Balance					
Total fund balance	\$ 442.3	\$ 400.5	\$ 344.6	\$ 297.2	\$ 256.3
Unassigned	\$ 370.6	\$ 324.3	\$ 277.5	\$ 234.2	\$ 212.8
General Fund expenditures	\$ 1,477.2	\$ 1,378.3	\$ 1,285.4	\$ 1,280.7	\$ 1,235.6
Unassigned general fund balance as a percentage of expenditures	25.09%	23.53%	21.59%	18.29%	17.22%
Excess (deficiency) of revenues over (under) expenditures	\$ 48.7	\$ 48.6	\$ 41.8	\$ 30.2	\$ 9.8
Transfers in(out) of general fund, net	\$ (7.4)	\$ 6.7	\$ 5.3	\$ (165.3)	\$ (51.6)

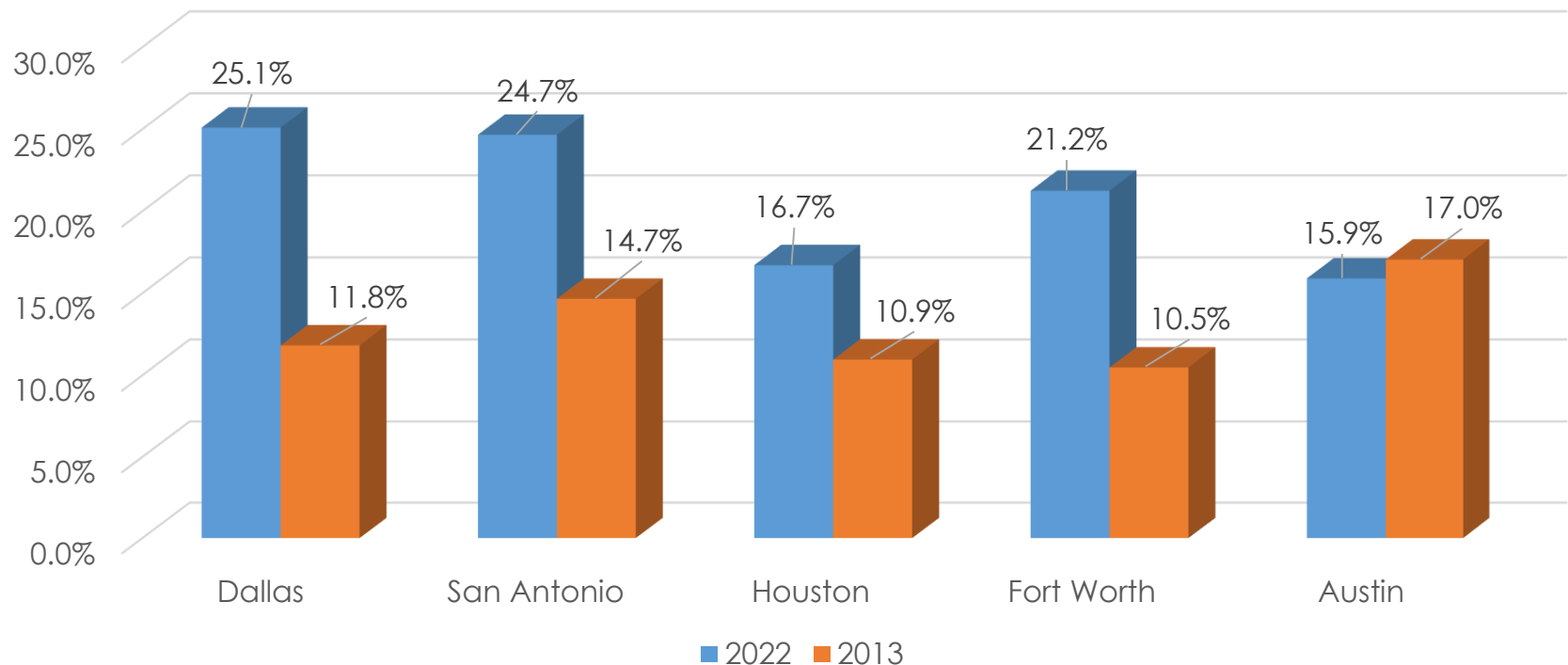
Total fund balance of the general fund has increased annually from 2018-2022.

The unassigned fund balance has increased annually from 2018-2022.

The unassigned fund balance as a % of expenditures has increased from 2018-2022.

Transfers were a net transfer in during 2021 and 2020, and transfers were a net transfer out during 2022, 2019, and 2018.

Unassigned General Fund Balance as a Percentage of General Fund Expenditures



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Enterprise Funds



	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Income (loss) before transfers and contributions					
Dallas Water Utilities	\$ 161.6	\$ 55.1	\$ 56.2	\$ 30.5	\$ 123.4
Convention Center	\$ 11.3	\$ (4.6)	\$ 1.4	\$ 16.5	\$ 13.7
Airport revenue	\$ 70.6	\$ 21.2	\$ 26.3	\$ 25.4	\$ 16.4
Sanitation	\$ 11.8	\$ 6.2	\$ 6.1	\$ (7.7)	\$ 11.2
Total capital assets, net					
Dallas Water Utilities	\$ 5,788	\$ 5,599	\$ 5,496	\$ 5,366	\$ 5,200
Convention Center	\$ 386	\$ 398	\$ 415	\$ 433	\$ 450
Airport revenue	\$ 1,291	\$ 1,221	\$ 1,208	\$ 1,204	\$ 1,187
Sanitation	\$ 68	\$ 66	\$ 65	\$ 66	\$ 51
Revenue bond coverage					
Dallas Water Utilities	2.10	1.63	1.68	1.74	1.96
Convention Center	2.00	1.10	1.50	2.10	2.00
Airport revenue	2.11	1.83	4.36	3.47	2.91
Sanitation	n/a	n/a	n/a	n/a	n/a

DWU income increased in 2020 and 2022, and decreased in 2018, 2019, and 2021.

Revenue bond coverage for DWU increased in 2018 and 2022 and decreased in 2019, 2020, and 2021.

Revenue bond coverage for Convention Center increased in 2018, 2019, 2022 and decreased in 2020, and 2021.

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

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



	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Internal service net position					
Risk funds deficit	\$ (76.4)	\$ (47.2)	\$ (64.0)	\$ (23.5)	\$ (213.2)
Risk funds total liability	\$ 140	\$ 132	\$ 132	\$ 85	\$ 248
Risk funds deficit as a % of total general fund balance	17.27%	11.79%	18.57%	7.91%	83.18%
Landfill closure and post-closure liability	\$ 49	\$ 47	\$ 45	\$ 44	\$ 42
Net pension liability	\$ 4,029	\$ 5,703	\$ 4,693	\$ 4,739	\$ 3,175
Total OPEB liability	\$ 222	\$ 266	\$ 531	\$ 565	\$ 511

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 2018, 2020, and 2022 and decreased in 2019 and 2021.

The landfill closure and post-closure liability has increased between 2018-2022.

The net pension liability decreased in 2018, 2020, and 2022 and increased in 2019 and 2021.

The total OPEB liability decreased in 2020-2022 and increased in 2018-2019.

DISCUSSION



Contact Us

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