

Memorandum



CITY OF DALLAS

DATE October 29, 2025

TO Honorable Members of the Finance Committee: Chad West (Chair), Kathy Stewart (Vice Chair), Zarin Gracey, Maxie Johnson, Jesse Moreno, Jaime Resendez, and Gay Donnell Willis

SUBJECT **2025 External Audit Planning Meeting**

The attached materials for the Finance Committee fulfill a portion of the required communications for the FY 2024-25 external audit being conducted by the audit firm, Weaver. The materials provide an overview of the respective responsibilities of Weaver and the City during the audit engagement including audit approach, materiality, engagement timeline, risk assessment overview, deliverables, and recent pronouncements issued by the Governmental Accounting Standards Board (GASB).

Jennifer Ripka, CPA is the Public Sector Practice Leader and Engagement Partner for the City's FY 2024-25 external audit engagement. She will be available during the November 4 Finance Committee meeting to answer any questions and receive feedback from committee members.

The external audit engagement has already begun, and we currently anticipate that the audit will be issued in February 2026 with a report and presentation being made to the Finance Committee in March 2026.

If you have any questions, please contact Sheri Kowalski, City Controller, at 214-670-3856, or Lance Sehorn, Assistant City Controller at 214-670-3547.

Service First, Now!

Jack Ireland
Chief Financial Officer

c: Kimberly Bizar Tolbert, City Manager
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Baron Eliason, Inspector General (I)
Dominique Artis, Chief of Public Safety

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dev Rastogi, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager
Robin Bentley, Assistant City Manager
Ahmad Goree, Chief of Staff to the City Manager
Directors and Assistant Directors

2025 External Audit Planning Meeting

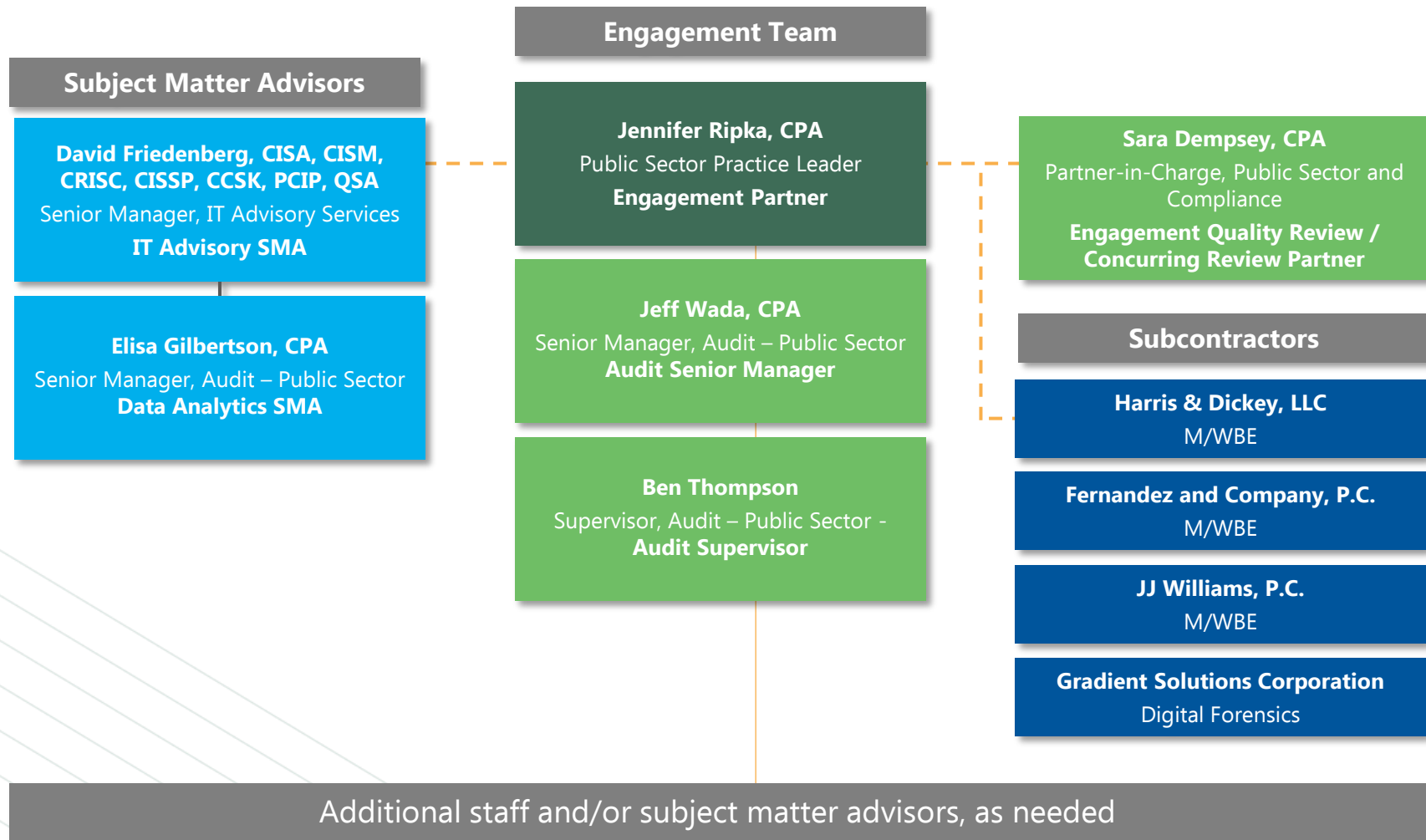


City of Dallas, Texas
Finance Committee Communication
November 4, 2025

Overview

- Introduction
- Interim Communications
- Audit Process
- New Accounting Pronouncements
- Finance Committee Concerns
- Questions

Team Staffing and Structure



Responsibilities under U.S. GAAS and GAGAS

We are responsible for:

- Conducting our audit in accordance with US Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAGAS) of the financial statements that have been prepared by management, with your oversight
- Forming and expressing opinions about whether the financial statements are presented fairly, in all material respects, in accordance with US Generally Accepted Accounting Principles
- Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole
- Communicating fraud
- Communicating relevant significant matters to you on a timely basis
- Reporting material noncompliance related to laws, regulations, contracts and grant agreements, as well as any significant deficiencies and/or material weaknesses in internal control related to financial reporting.
- Obtaining an understanding of internal control over significant transaction cycles and perform testing to determine if controls are operating as designed. However, we do not express an opinion on effectiveness of internal control.

Responsibilities under Uniform Guidance and TxGMS

We are responsible for:

- Consider internal control over compliance related to compliance requirements for each major program. We do not express an opinion over internal controls over compliance
- Test compliance for each direct and material compliance requirement for each major program and express an opinion
- Communicate any material noncompliance for major programs, questioned costs, and significant deficiencies or material weaknesses in internal control over compliance
- Form and express an opinion on whether the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards are fairly stated in relation to the financial statements

Responsibilities for Other Information in the ACFR

We are responsible for:

- Read other information such as management's discussion and analysis and other required supplementary information (we do not corroborate it)
- Consider whether it is materially consistent with the financial statements
- Bring to management's attention if there are any identified material inconsistencies or misstatements of fact

Responsibilities of Those Charged with Governance and the External Auditors

Those Charged with Governance

Overseeing the financial reporting process;
Setting a positive tone at the top and challenging the City's financial activities;
Discussing significant accounting and internal control matters with management;
Informing us about fraud or suspected fraud, including views about fraud risks;
Informing us about other matters that are relevant to our audit, such as:

- City strategies and related business risks that may result in heightened risks of material misstatement;
- Matters warranting particular audit attention;
- Significant communications with regulators;
- Matters related to the effectiveness of internal control and your oversight responsibilities; and
- Your views regarding our current communications and your actions regarding previous communications.

External Auditors

Weaver creates a consistent and comprehensive audit plan with:

- Hands-on partner involvement from planning through the final report
- Collaborative, comprehensive planning
- Speedy issue identification and resolution
- Close coordination with management and internal auditor
- Focus on interim procedures
- Government Operations, Risk Advisory and IT Advisory subject matter advisors as necessary
- Full quality control review by an engagement partner outside of the engagement team every year
- Continuous communication and a "no surprises" approach
- Clear, concise presentation of results for those charged with governance

Audit Approach

The audit process will be a **risk-based approach** in which we identify potential areas of risk that could lead to material misstatement of the financial statements. This includes:

- Gaining an understanding the City and the environment it operates in
- Using that knowledge and understanding to analyze the City's financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas

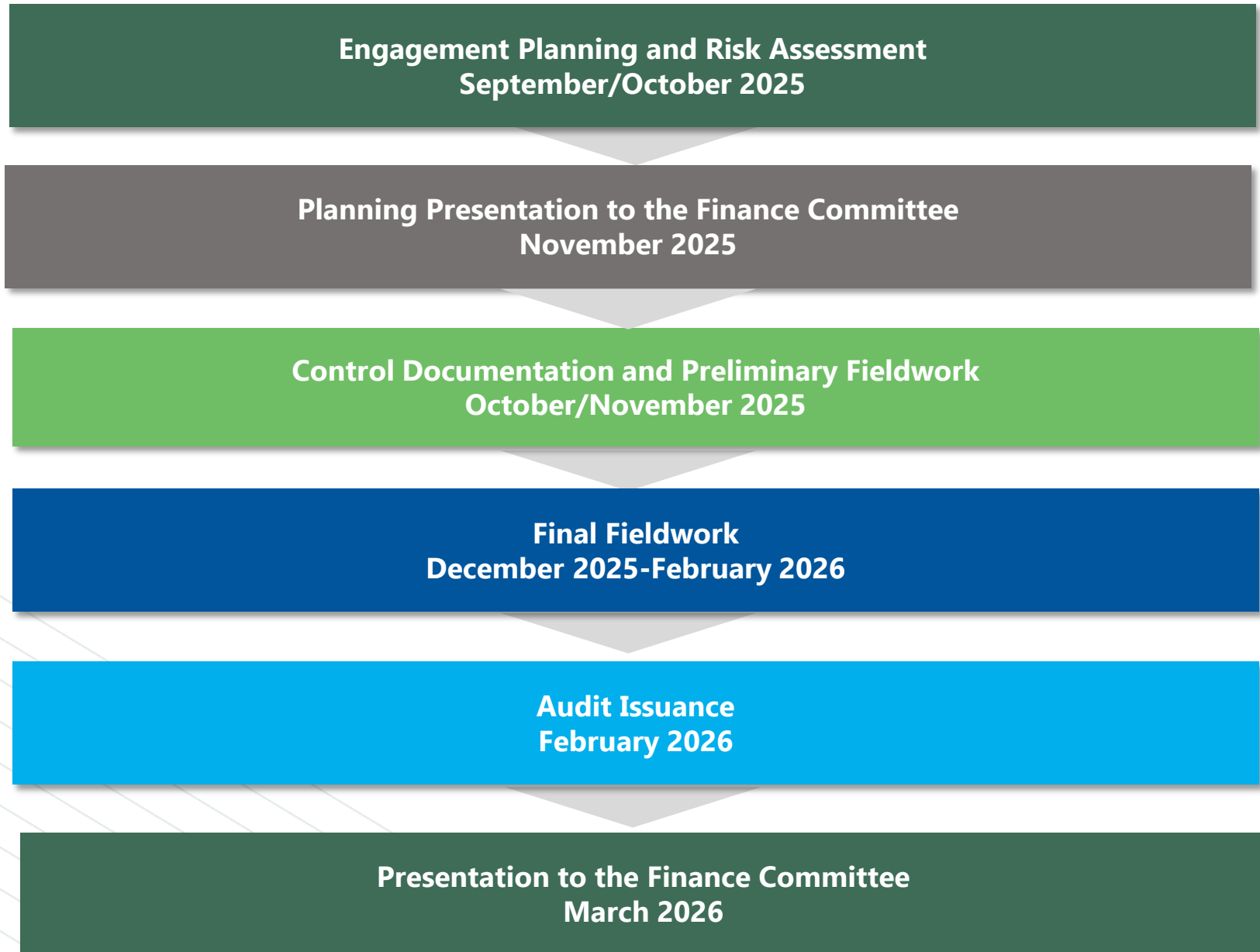
Materiality

Materiality is the substantial likelihood that an omission or misstatement will influence the judgment of a reasonable user of the financial statements. It is ordinarily evaluated against relevant financial statement benchmarks.

- We believe that total assets, revenues, or expenditures (based on the type of fund or opinion unit) are relevant benchmarks for the City's financial statements.
- We believe that total expenditures is a relevant benchmark for the federal and state major programs.

Financial statement items greater than materiality are within our audit scope. Other accounts or classes of transactions less than materiality may be in our scope if qualitative risk factors are present (for example, related party relationships or significant unusual transactions).

Engagement Timeline



Risk Assessment Overview

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

Risk Assessment Overview

Other Areas	Planned Procedures
Improper revenue recognition for other funds	- Testing existence, valuation, and cutoff of receivables and revenue - Obtain detail for evidence of the service being performed and that payment was received - Perform analytical procedures
Capital assets	- Inspect records and documents related to significant projects - Vouch transactions to invoices, pay apps, and bid procedures
Long-term liabilities	- Testing the existence and occurrence of long-term liabilities - Testing the disclosures and presentation - Testing covenants and continuing disclosures
Misappropriation of assets through purchases	- Perform control testing over randomly sampled disbursements - Perform data mining procedures to identify unusual transactions
Misappropriation of assets through payroll disbursements	- Perform control testing over randomly sampled payroll disbursements - Perform data mining procedures to identify unusual transactions and trends
Evaluation of estimates	- Evaluate the reasonableness of significant estimates, such as those that were determined by management or an actuary

Risk Assessment Overview

Other Areas	Planned Procedures	
Information Technology	- Logical security: access is authenticated and approved - Change management: testing process of implementing new applications and system changes - Computer operations: critical data is backed up regularly	
Investments	- Testing valuation, disclosures, and Public Funds Investment Act	
Risks, uncertainties, contingencies	- Read Council and Committee minutes - Inquire of management - Receive attorney letter - Read contracts and agreements	
Data mining procedures	- Obtain detail of disbursements, approved vendors, payroll transactions, addresses - Testing significant vendors, employees paid after termination dates, employees with significant overtime	

Other areas we plan to test:

- Passenger Facilities Charge compliance
- TCEQ compliance

Deliverables

AUDITS

- Annual comprehensive financial report (ACFR)
- Single audits: OMB Uniform Guidance and Texas Grant Management Standards
- Downtown Dallas Development Authority Tax Increment Financing District
- Dallas Convention Center Hotel Development Corporation
- Dallas Water Utilities Fund
- Airport Revenues Fund

OTHER REPORTS

- Passenger Facility Charge Compliance
- Texas Commission on Environmental Quality Financial Assurance Agreed-Upon Procedures

GASB Standards- Effective in FY2025

GASB 101- Compensated Absences

Summary: Improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures.

GASB Standards- Effective in FY2025

GASB 102- Certain Risk Disclosures

Summary: Improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

GASB Standards- Effective in FY2026 & Beyond

▶ **GASB 103 – Financial Reporting Model Improvements**

- ▶ The requirements of this statement are effective for reporting periods beginning after June 15, 2025
- ▶ Improves 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.

▶ **GASB 104 – Disclosure of Certain Capital Assets**

- ▶ The requirements of this statement are effective for reporting periods beginning after June 15, 2025
- ▶ Establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets.

Discussion

Finance Committee questions, concerns to incorporate in the risk assessment for the Fiscal Year 2025 audit, etc.

Any questions regarding the audit?

Any points of concern?

Additional areas of risk?

Additional services requested?





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Sector Practice Leader

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