



FY2023 Annual Comprehensive Financial Report

City of Fort Worth

March 5, 2024

Presented by Financial Management Services

Agenda

**Purpose of an
Annual
Comprehensive
Financial
Report (ACFR)**



Accomplishments



Financial Performance

- Entity-wide Net Position
- Debt
- Funds Performance
- Pension and Other Post Employment Benefits
- Reserve Compliance

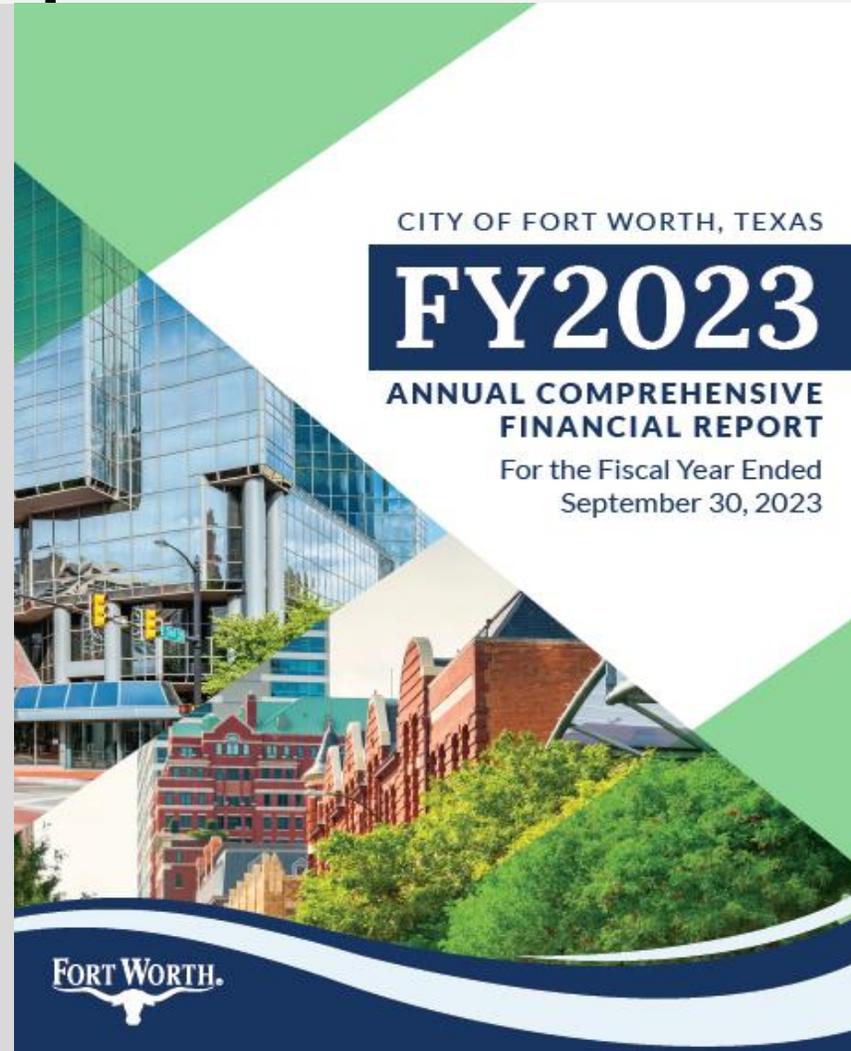


**External
Audit Results
& Findings**



Annual Comprehensive Financial Report

The purpose of an ACFR is to be transparent about the use of taxpayers' money and to give the public a detailed accounting of all expenditures.



Who Uses the ACFR?

- Mayor and City Council
- Residents
- Granting agencies
- Bond rating agencies
- Bondholders and Investors

Accomplishments

Received highest level of assurance expressed by Independent Auditors on financial statements as a result of their audit.

Awarded Certificate of Distinction for its Investment Policy by Government Treasurers' Organization of Texas

Unmodified (Clean) Opinion

Implemented GASB Statement No.96 Subscription-Based Information Technology Arrangements

Awarded Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association

Awarded Distinguished Budget Presentation by Government Finance Officers Association

Financial Performance

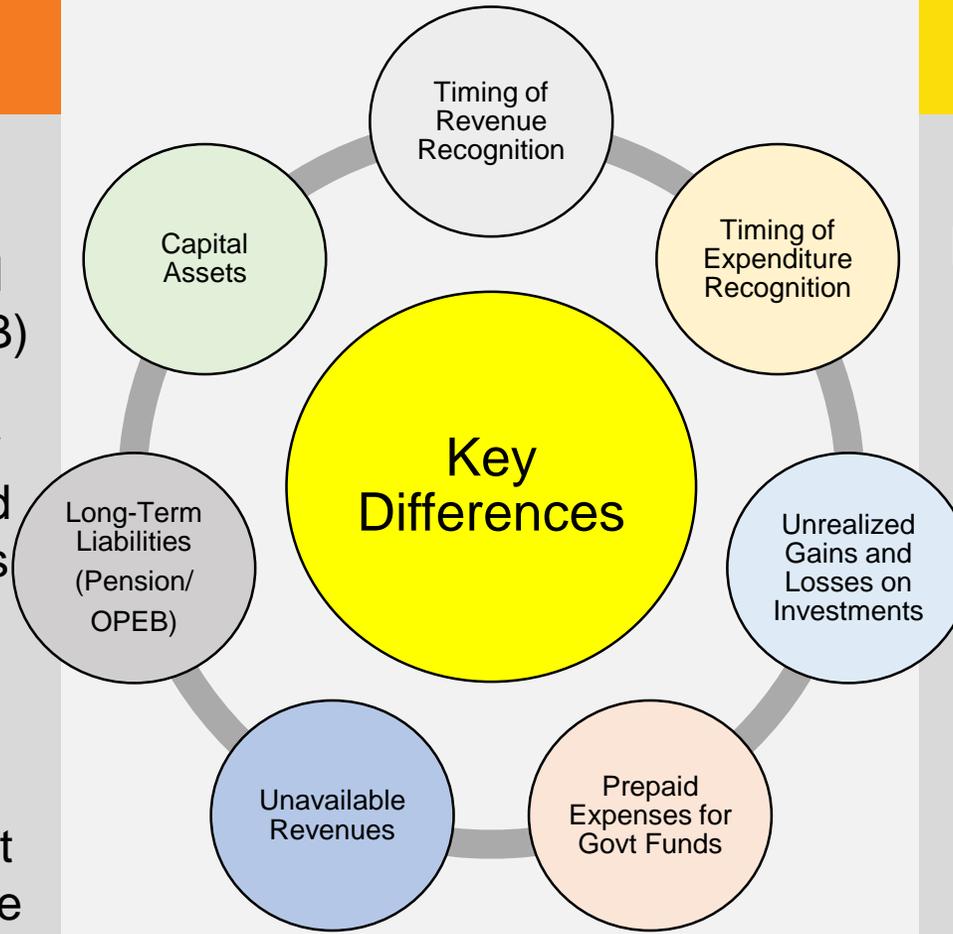
How Performance Is Measured

GAAP

Set of Accounting Standards
Administered by the Governmental
Accounting Standards Board (GASB)

Revenues are recorded when they
are earned. Expenses are recorded
in the same period as the revenues
to which they relate (matching
principle).

Improves financial accounting and
reporting to give financial statement
users information they need to make
decisions and assess accountability



Budgetary

Revenues and Expenditures are
recorded as they occur,
regardless of when earned or
become owed

Planned use of current
resources usually generated as
cash during the year and
budgeted when paid

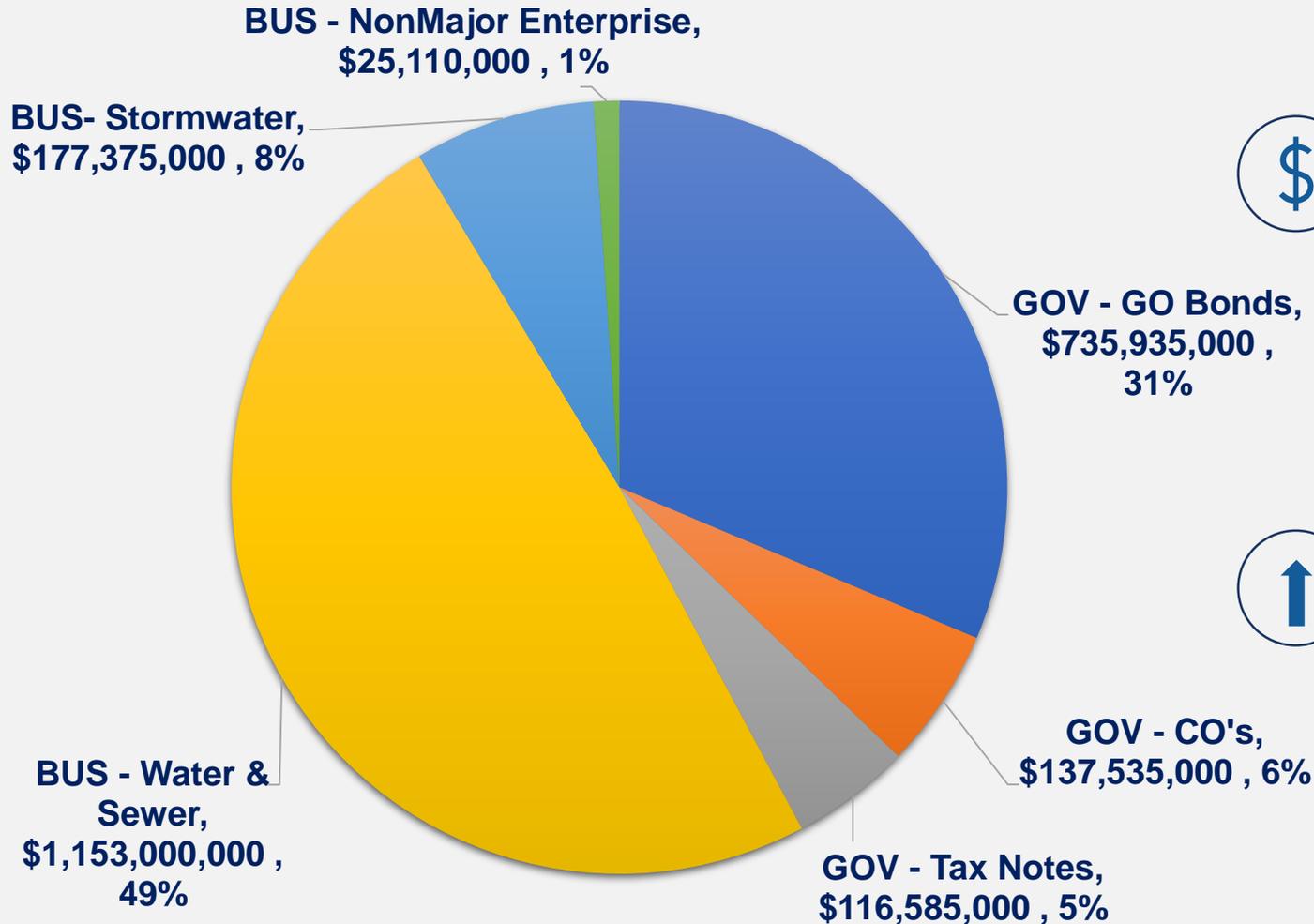
Entity Wide Net Position

Net Position	Governmental Activities	Business-Type Activities	Total
Beginning Net Position	\$658,738,000	\$3,501,576,000	\$4,160,314,000
FY2023 Activities	+333,778,000	+267,527,000	+601,305,000
FY2023 Ending Net Position	\$992,516,000	\$3,769,103,000	\$4,761,619,000

Major Drivers:



Bonded Debt



The City's outstanding bonded debt obligation is **\$2,400,380,000**

\$1,044,895,000 – Governmental
\$1,355,485,000 – Enterprise Funds



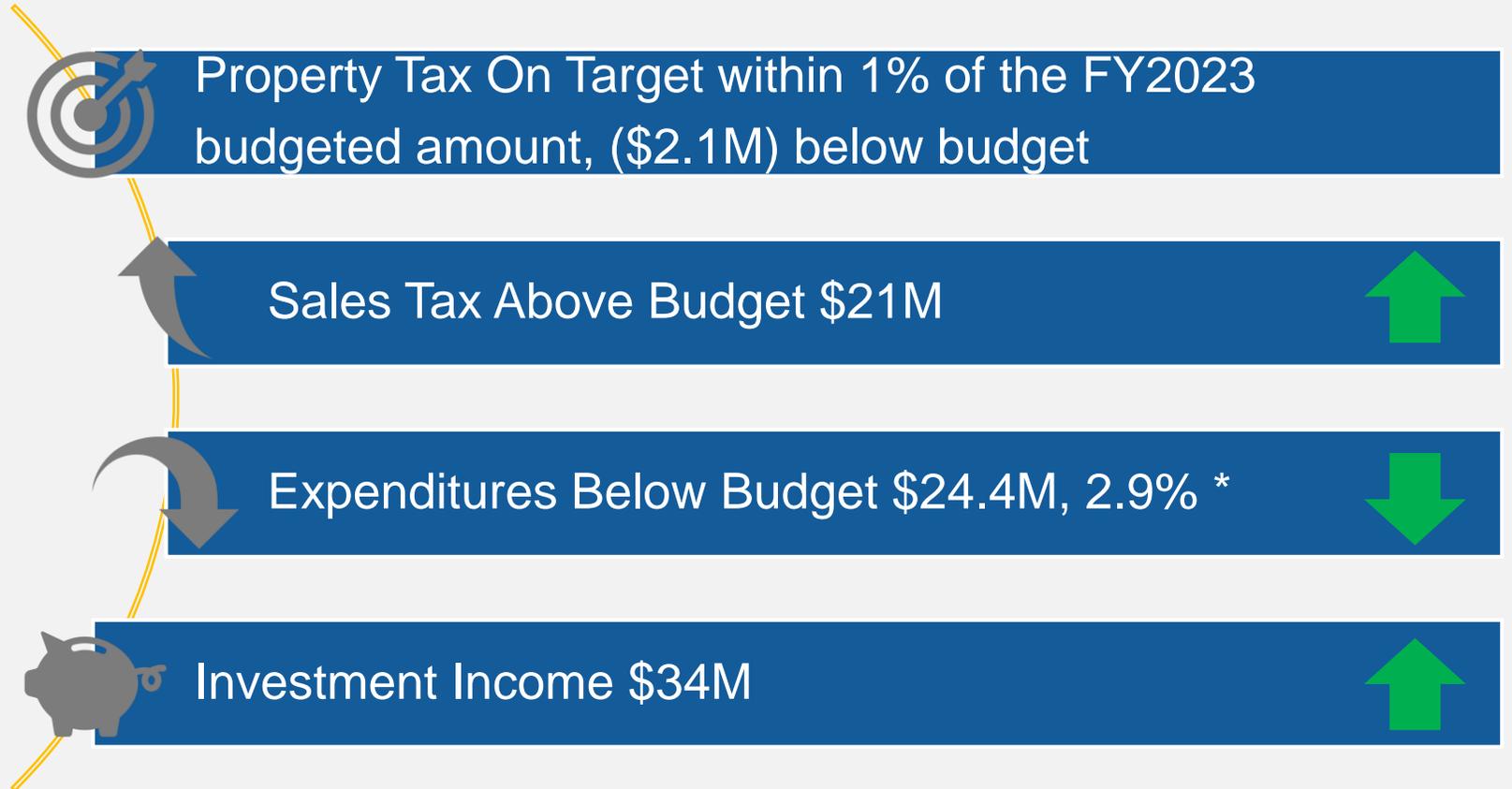
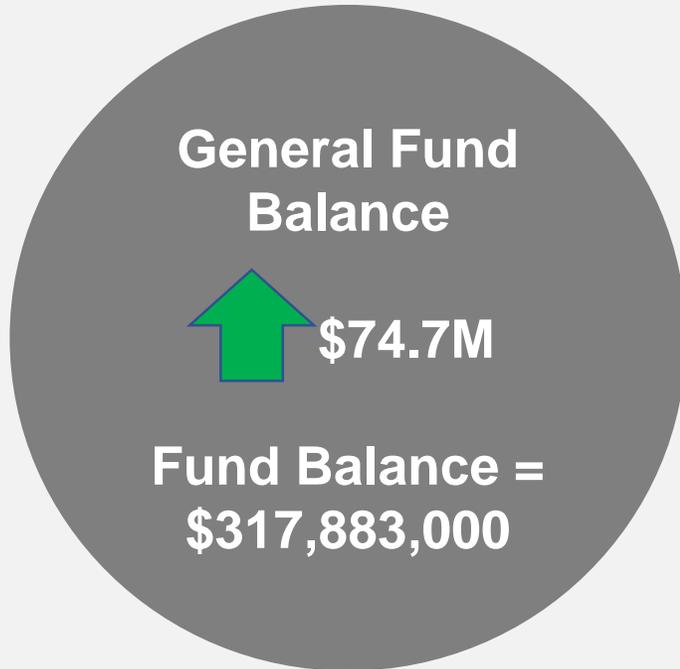
New Issuance
\$472,365,000



Payments
\$186,179,000

General Fund at a Glance

GAAP Basis – includes Gas Endowment Activity and other noncash adjustments



* Major driver: Salary and Benefits savings driven by a 20% vacancy rate.

General Fund at a Glance

(crosswalk from budgetary basis to GAAP basis)

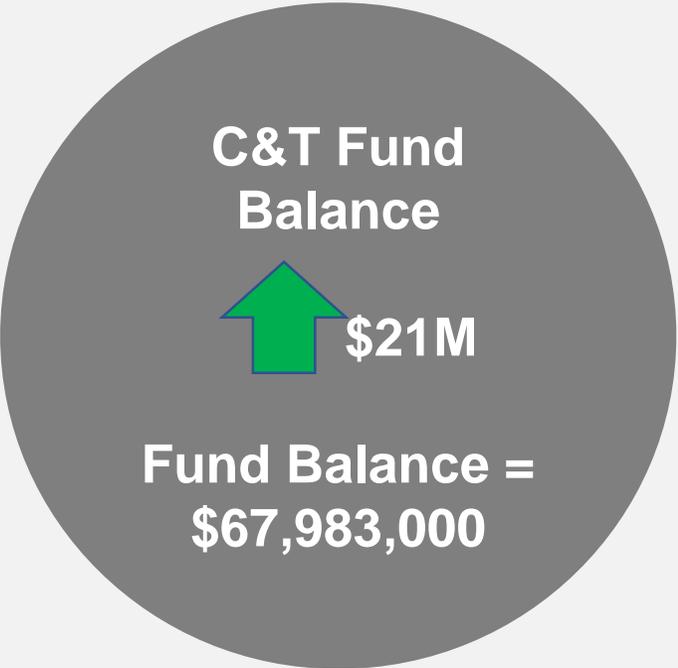
Fund Balance Breakdown (Rounded to nearest 000s)	GAAP		Endowment	GAAP Basis
	Budgetary Basis	Adjustments	Gas Lease	
Beginning Fund Balance	\$ 244,430,000	\$ (30,331,000)	\$ 29,031,000	\$ 243,130,000
Revenues	989,438,000	(1,500,000)	3,629,000	991,567,000
Expenditures	927,562,000	13,636,000	(2,888,000)	938,310,000
Increase in Fund Balance	61,876,000	12,136,000	741,000	74,753,000
Total Ending Fund Balances	\$ 306,306,000	\$ (18,195,000)	\$ 29,772,000	\$ 317,883,000
Fund Balance Components:				
Nonspendable ⁽¹⁾	3,712,000	232,000	-	3,944,000
Restricted ⁽²⁾	-	-	10,016,000	10,016,000
Committed ⁽³⁾	30,383,000	-	19,756,000	50,139,000
Assigned ⁽⁴⁾	54,340,000	-	-	54,340,000
Unassigned	217,871,000	(18,427,000)	-	199,444,000
Total Ending Fund Balances	\$ 306,306,000	\$ (18,195,000)	\$ 29,772,000	\$ 317,883,000

Notes:

1. Nonspendable – Inventory and others \$3.7M, Prepaids & Deposits \$232k
2. Restricted – Endowment Gas Lease \$10M
3. Committed – Sales Tax Repayment \$13M, Juneteenth Museum Project 15M, Rollovers \$2.3M, Endowment Gas Lease \$19.7M
4. Assigned – Library Capital Project \$16M, Capital Projects Shortfalls \$30.3M, Capital Projects Shortfalls-Surplus Interest Earnings \$8M

Culture & Tourism at a Glance

GAAP Basis – includes noncash adjustments



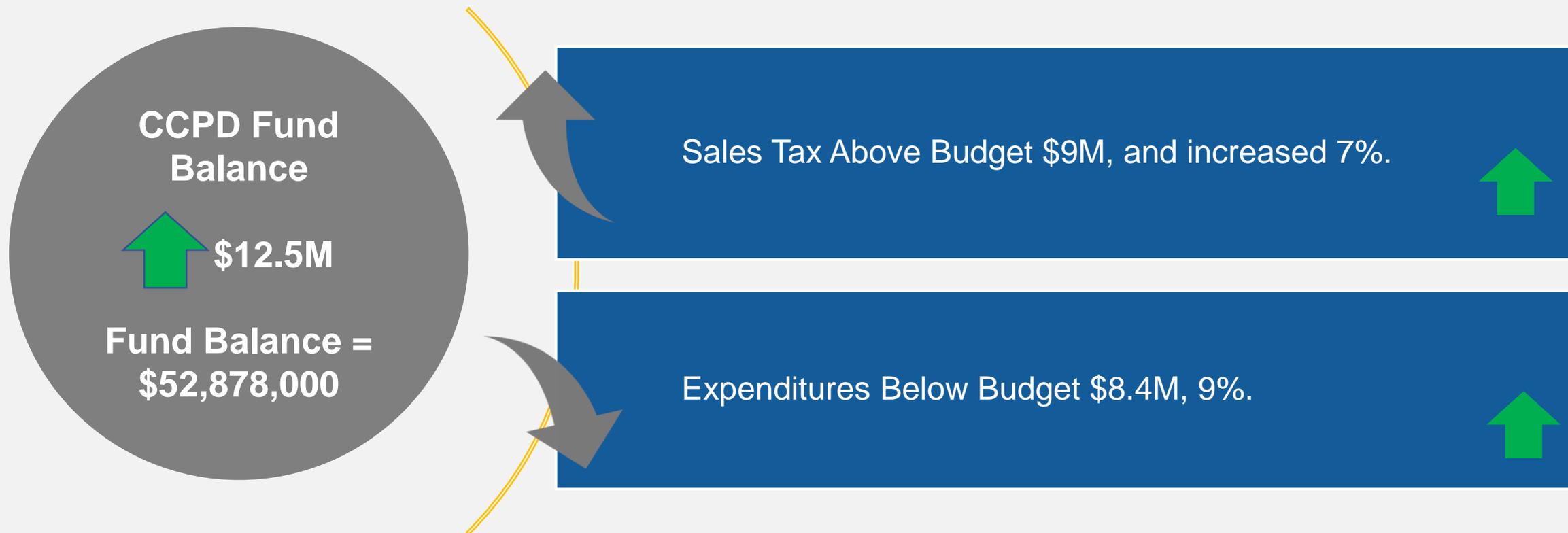
FW Market has made a significant recovery

Hot Tax increased 16%, \$5.8M ↑

Ticket Tax Increased 80%, \$3.6M ↑

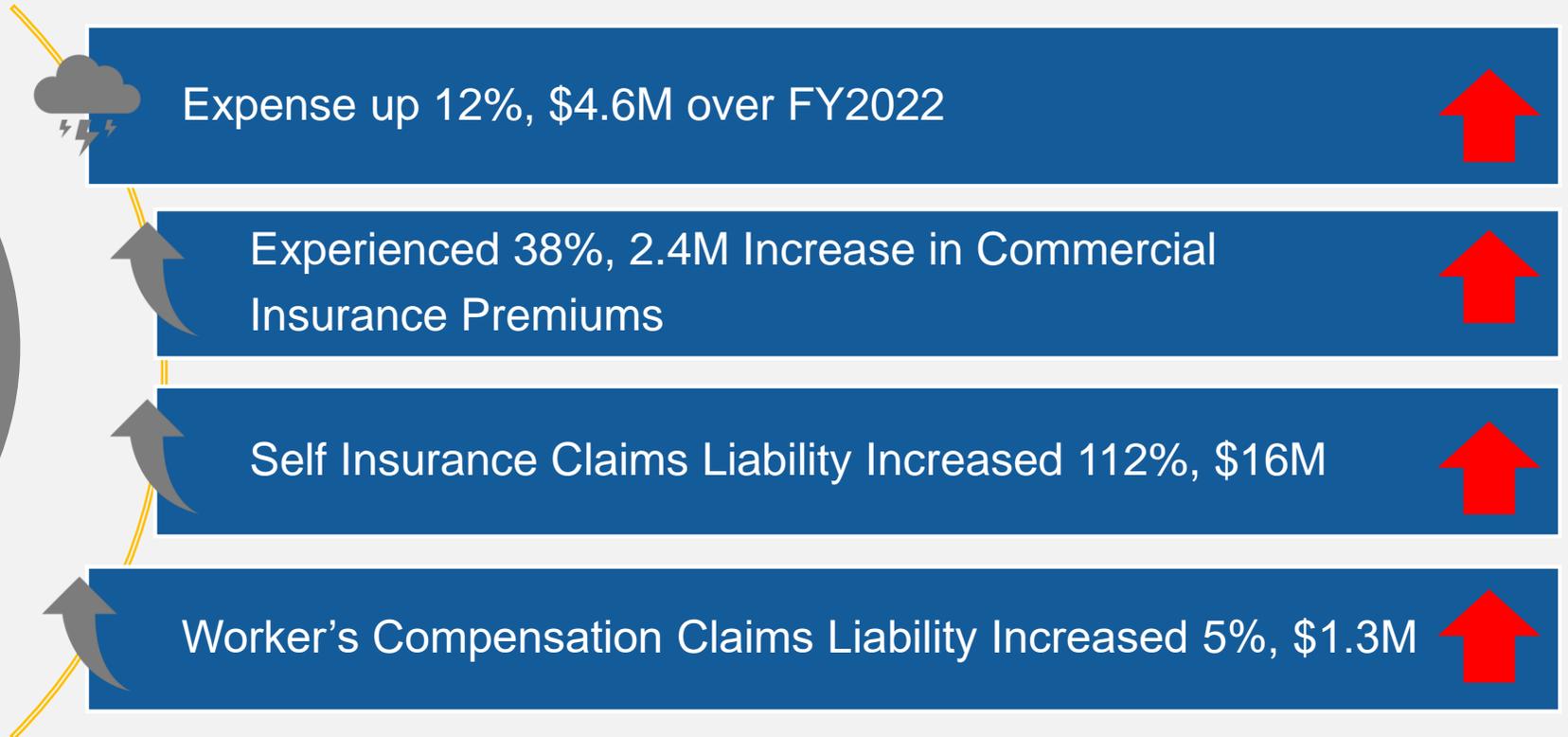
Crime Control & Prevention District at a Glance

GAAP Basis – includes noncash adjustments



Risk Financing at a Glance

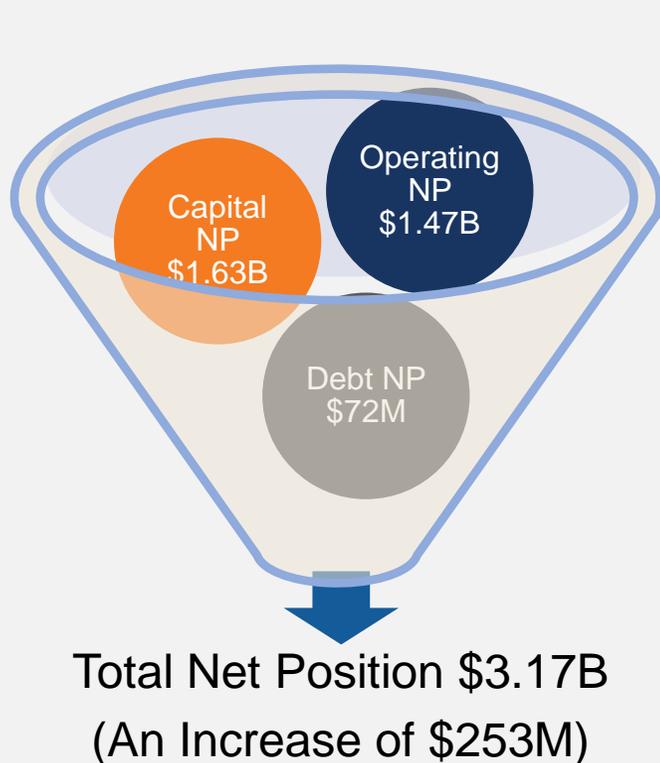
GAAP Basis – includes noncash adjustments



The fund has \$39M in Cash to cover liabilities and other expenses including insurance deductibles.

Water & Sewer at a Glance

GAAP Basis – includes noncash adjustments



Operating income increased by \$14M mostly due to a drier year than normal which brought in more service revenue

Pension Liability increased \$48.4M

Net Invested in Capital Assets increased \$173M*

*Developer Asset Contributions \$67.2M, Water added \$83.4M to Infrastructure and Capital Assets

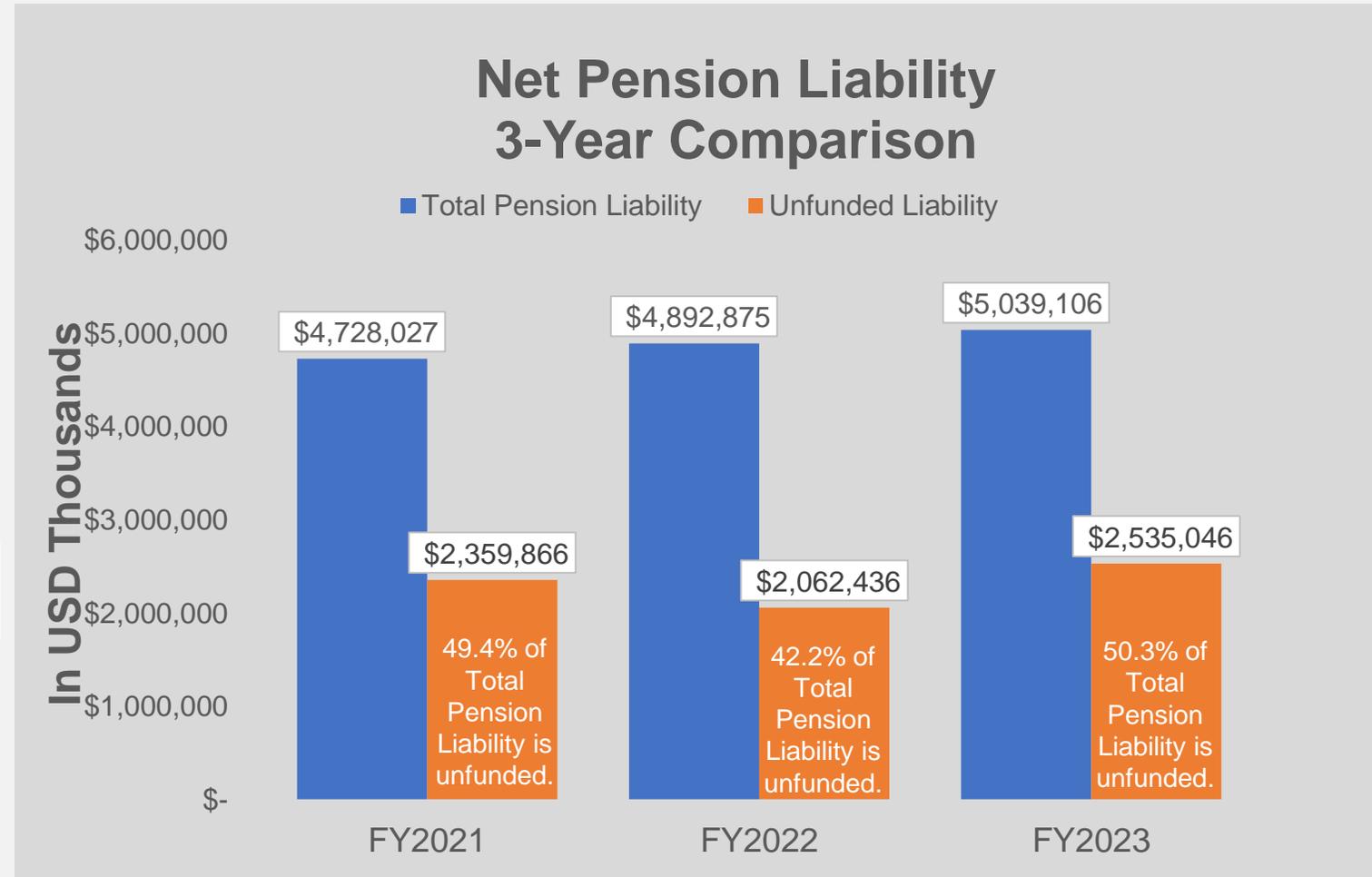
Developer Cash Contributions \$1.7M, Contributions from Others \$16.3M, Impact Fees \$35.4M

Pension & Other Post Employment Benefits

Net Pension Liability 3-Year Comparison

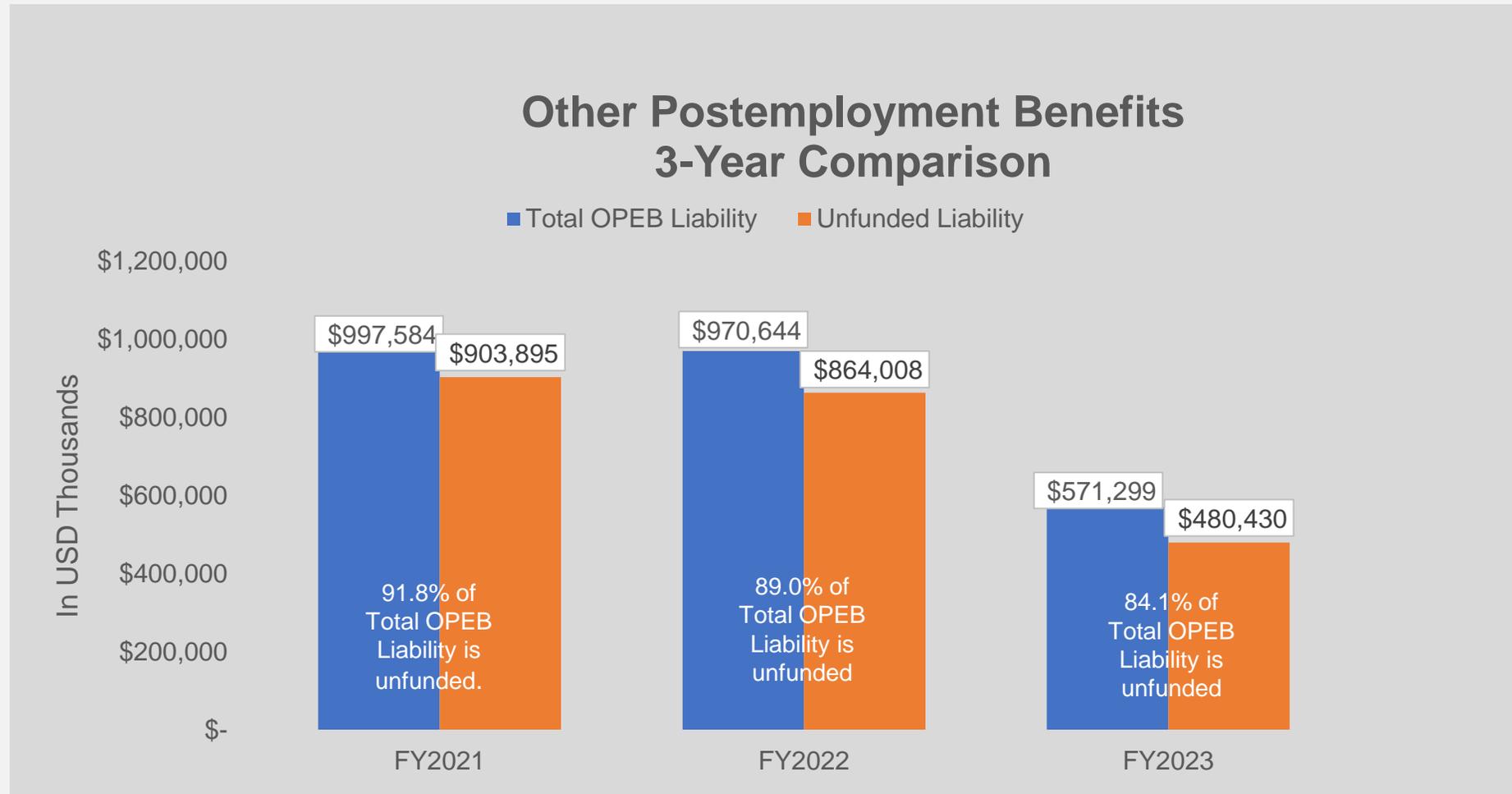
Pension Liability as Calculated for the Annual Comprehensive Financial Report

- The Net Pension Liability (GAAP basis) begins with the Actuarial Report at December 31, 2021 which is then rolled forward to September 30, 2022. The Total Pension Liability is then reduced by the amount of the plan's Fiduciary Net Position.
 - These values will differ from the actuarial report that will be finalized by the FWERF Board at the end of April 2024.
 - Actuarial Value is calculated by smoothing out investment returns vs GAAP which is based on market value of assets.
- A \$473M increase in the unfunded liability from FY2022 to FY2023 is the result of fluctuations in the investment market.



Other Post Employment Benefits Liability 3-Year Comparison

- OPEB Plan assets in trust as of 09/30/2023 are \$90,037,000.
- OPEB expenses are financed on a pay as you go basis.
- The discount rate was increased to 5.50% from 2.21% for FY2023
- Plan assets are projected to exceed the liability by FY2052-53
- Projected plan assets' earnings will be sufficient to pay insurance claims by FY2056-57
- This is a closed plan, therefore the liability will go down over time



Reserve Compliance

General Fund Reserve Requirement

The minimum requirement is 16.67%.

We are working toward a goal of 25%, which will be formalized in policy for FY2024.

General Fund Reserve provides assurance for stable service delivery and protection against financial instability.

General Fund - Unassigned Fund Balance Trend



General Fund Reserve Requirement

The FY2023 General Fund Reserve is at 21.50%

Prepays are excluded from Nonspendable

GENERAL FUND	
Fund Balances:	
Nonspendable (Postage, Light & Signal, Fire, and Commissary Inventories)	\$ 3,712,000
Previously Committed (State Sales Tax Agreement)	13,032,000
Add'l Committed	17,351,000
Assigned	54,340,000
Unassigned	217,871,000
Ending Fund Balance	<u>\$ 306,306,000</u>
Reserve Requirement:	
Unassigned Fund Balance	\$ 217,871,000
Next Year's Budgeted Expenditures (FY2024)	1,013,812,000
Actual Reserve Percentage	21.50%

Governmental Funds Reserve Requirement

Fund No./Fund Name	Next Year's Budgeted Expenditures	Fund Balances	Reserve Minimum at 16.67%	Projected Excess of Reserve	Compliant with Policy
Special Revenue Funds:					
26001 - Crime Control & Prevention District	\$ 130,727,653	\$ 42,538,000	\$ 21,792,300	\$ 20,745,700	✓
25005 - Environmental Protection *	16,211,975	1,761,000	2,702,536	(941,536)	✗
Culture and Tourism Funds					
20101 - Culture and Tourism	50,757,079	26,882,000	8,461,205	18,420,795	✓
20103 - 2% Hotel Occupancy Tax	6,294,374	9,999,000	1,049,272	8,949,728	✓
20104 - Project Financing Zone	5,613,545	13,892,000	935,778	12,956,222	✓
20105 - DFW Revenue Sharing	3,566,905	7,406,000	594,603	6,811,397	✓
20106 - Venue	8,967,128	9,897,000	1,494,820	8,402,180	✓
20102 - Golf	6,343,159	1,915,000	1,057,405	857,595	✓
28009 - Alliance Maintenance Facility	8,237,763	2,005,000	1,373,235	631,765	✓

* FY23 use of fund balance to launch the City's street sweeping program, the staff has a plan to restore fund balance reserve over the next few years.

Governmental Funds Reserve Requirement

Fund No./Fund Name	Next Year's Budgeted Expenditures	Fund Balances	Reserve Goal	Projected Excess of Reserve	Compliant with Policy
Debt Service Funds:					
40100 - General Debt Service	145,939,016	49,392,000	36,484,754	12,907,246	✓
40101 - Culture & Tourism Debt Service	3,891,026	4,401,000	972,757	3,428,244	✓
40103 - Venue Debt Service	14,930,243	5,634,000	3,732,561	1,901,439	✓

Enterprise Funds Reserve Requirement

	Water and Sewer	Stormwater Utility	Municipal Parking	Municipal Airport	Solid Waste
Next Year's Budgeted Expenses (FY2024)	\$ 371,316,962	\$ 27,229,654	\$ 9,734,453	\$ 12,686,341	\$ 82,710,492
1) Working Capital (WC)					
Reserve Goal at 25%	<u>\$ 92,829,241</u>	<u>\$ 6,807,414</u>	<u>\$ 2,433,613</u>	<u>\$ 3,171,585</u>	<u>\$ 20,677,623</u>
Working Capital	<u>204,611,000</u>	<u>10,017,000</u>	<u>4,198,000</u>	<u>15,014,000</u>	<u>26,354,000</u>
Excess Working Capital	<u>\$ 111,781,760</u>	<u>\$ 3,209,587</u>	<u>\$ 1,764,387</u>	<u>\$ 11,842,415</u>	<u>\$ 5,676,377</u>
Compliant with Policy	✓	✓	✓	✓	✓
2) Cash On Hand					
Cash per day	906,934	63,847	13,016	82,537	187,134
Cash on Hand	202,161,000	11,946,000	3,292,000	9,356,000	23,753,000
Days Cash on Hand	223	187	253	113	127
Minimum (100 days cash on hand)	90,693,425	6,384,658	1,301,644	8,253,699	18,713,425
Compliant with Policy	✓	✓	✓	✓	✓
Goal (150 days cash on hand)	136,040,137	9,576,986	1,952,466	12,380,548	28,070,137
3) No negative unrestricted net position	✓	✓	✓	✓	✓
Unrestricted Net Position	\$ 372,336,000	\$ 51,153,000	\$ 877,000	\$ 85,879,000	\$ 11,177,000

Internal Service Funds Reserve Requirement

	Insurance Funds		Noninsurance Funds		
	Group Health & Life Insurance	Risk Financing	Equipment Service	Capital Project Service	Information Technology Systems
	Next Year's Budgeted Expenses (FY2024)	\$ 82,782,815	\$ 33,617,296	\$ 34,763,652	\$ 17,981,871
1) Working Capital					
Reserve Goal*	\$ 20,695,704	\$ 8,404,324	\$ 3,476,365	\$ 1,798,187	\$ 5,163,626
Current Assets	\$ 40,615,000	\$ 39,163,000	\$ 8,040,000	\$ 6,170,000	\$ 2,193,000
Less: Current Liabilities	8,233,000	32,774,000	2,472,000	697,000	5,474,000
Working Capital (Deficit)	32,382,000	6,388,000	5,567,000	5,475,000	(3,281,000)
Excess Working Capital (Deficit)	\$ 11,686,296	\$ (2,016,324)	\$ 2,090,635	\$ 3,676,813	\$ (8,444,626)
Compliant with Policy	✓	✗	✓	✓	✗
2) No negative unrestricted net position	✓	✗	✓	✓	✗
Net Investment in Capital Assets	\$ -	\$ 160,000	\$ 1,997,000	\$ 3,000	\$ 48,724,000
Unrestricted Net Position	32,354,000	(18,749,000)	5,153,000	4,391,000	(14,472,000)
Total Net Position	\$ 32,354,000	\$ (18,589,000)	\$ 7,150,000	\$ 4,394,000	\$ 34,252,000

*Reserve Goal for Insurance Funds is three months (25%) and Noninsurance Funds is ten percent (10%)

Risk Financing has \$39M in cash to cover liabilities, there is potential for insurance policy deductibles of up to \$13M that are unfunded.

Risk Financing is developing a plan to restore working capital and fund balance over time.

In FY23 IT Systems was moved to an internal service fund and has developed a plan to restore working capital over time. IT Systems is not in compliance with the no negative unrestricted net position, however this is caused by GAAP reporting of Net Investment in Capital Assets.

Audit Results & Findings

FY2023 Audit Terminology

Material Weakness is a deficiency in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than material weakness, yet important enough to merit attention by those charged with governance.

FY2023 Audit Background

Audit Findings History

2018 2019 2020 2021 2022 2023

Grant Management & Reporting:

Material Weakness					1	
Significant Deficiency	2	1	3	3		

Financial Accounting and Reporting:

Significant Deficiency	1	2	1	2		
Total	3	3	4	5	1	0

Grant Information

Description	Amount
Active Grants	279
Departments	20
Grant Managers	63
Federal/State Agencies	26
Total Grant Expenditures	\$117M

FY2023 Audit Findings

No Audit Findings

- 1993 was the last time the City had no Audit Findings

Unmodified “Clean” Opinions

Emphasis of Matter

- Correction of Error related to Fort Worth Housing Finance Corporation
- Going Concern related to Terrell Homes, Ltd.

Agreed Upon Procedures (AUPs)

The following are in progress

FORVIS will issue 5 separate agreed-upon procedures reports:

- Budget Compliance
- Investment Compliance
- TCEQ Compliance
- Water & Sewer System Insurance
- Water Excess Revenues Compliance

Thank you

