City of Fort Worth, Texas

FY2020 Comprehensive Annual Financial Report

March 02, 2021

Reginald Zeno
Chief Financial Officer

Agenda

- Purpose & Importance
- Accomplishments
- Highlights
- Financial Performance
  - Funds Performance
  - Entity-wide Net Position
  - Reserve Compliance
  - Audit Results and Findings
- Discussion/Questions

Purpose & Importance

- The purpose of a CAFR is to be transparent about the use of taxpayers' money and to give the public a detailed accounting of all expenditures.
- Users of the CAFR include:
  - Mayor and City Council
  - Citizens of the City of Fort Worth
  - Bond rating agencies
  - Granting agencies
  - Bondholders and Investors

Accomplishments

- Unmodified (Clean) Opinion which is the highest level of assurance expressed by independent auditors on financial statements as a result their audit.
  - No Material Weaknesses identified therefore the City remains a low-risk auditee.
- Met the internal GOAL of issuing the CAFR within 130 Days after fiscal year end by completing it in 128 days (issued on 2/5/21).
  - The State and GFOA's requirement is 180 days after fiscal year end.

Accomplishments (continued)

- The City received the following awards and acknowledgement:
  - Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the FY2019 CAFR. (10th consecutive year)
  - GFOA's Distinguished Budget Presentation Award for fiscal year beginning October 1, 2019
  - Tied for No. 7 among the 75 most populous cities in the timeliness of FY2019 CAFR Issuance (issued in 130 days on 2/7/2020)

    [Source: Data published by Truth in Accounting, "Financial State of the Cities 2021" Report]

Highlights (GAAP Basis – includes noncash adjustments)

- Net pension liability decreased by $839,220,000 due to benefits terms and contributions modifications enacted in 2019
- Key Funds' Contributions to Fund Balance/Net Position
  - General Fund - $30,364,000

    (Endowment Gas Lease Funds $581,000; resulted an increase in General Fund's fund balance of $29,783,000 per GAAP basis)
  - Crime Control and Prevention District- $7,697,000
  - Water and Sewer - $330,253,000

    (Decrease in Net Pension Liability reduced expenses by $122,361,000)
  - Stormwater Utility - $20,757,000

    (Decrease in Net Pension Liability reduced expenses by $14,557,000)

Fund Performance

GAAP basis means that revenues are recorded when they are earned and measurable (and available for governmental funds). Expenditures/ expenses are recorded when they can be matched with the revenues they helped to generate. *Examples of GAAP basis adjustments are unrealized gain/loss on investments and prepaid expenses.*

Budgetary basis means that revenues are recorded when cash is received and expenditures/expenses are recorded when payments are made.

One key difference between GAAP basis and budgetary basis is due to timing of revenue and expenditure/expense recognition.

General Fund (GAAP Basis – includes noncash adjustments)

General Fund (in thousands)	FY2020
Total Revenues	$ 722,229
Total Expenditures	662,439
Excess (Deficiency) of Revenues Over (Under) Expenditures	59,790
Transfers & Contributions	(29,426)
Change in Fund Balance	**$ 30,364**
Beginning Fund Balance	173,797
Ending Fund Balance	**$ 204,161**

General Fund Balance (in thousands)	FY2019	FY2020	Change
Nonspendable	$ 4,717	$ 7,970	$ 3,253
Restricted	10,644	9,041	(1,603)
Committed	29,833	29,952	119
Assigned	-	4,500	4,500
Unassigned	128,603	152,698	24,095
Total Fund Balance	**$ 173,797**	**$ 204,161**	**$ 30,364**

Notes:

- Ending Fund Balance composed of $170,248,000 for General Fund & $33,913,000 for Endowment Gas Lease Funds.
- Increase in unassigned fund balance was due to expenditures being under budget and salary savings related to COVID-19 moved to CARES Grant.

General Fund (Crosswalk from budgetary basis to GAAP basis)

Fund Balance Breakdown (Rounded to nearest 000s)	Budgetary Basis	GAAP Adjustments	Endowment Gas Lease	GAAP Basis
Beginning Fund Balance	**$ 139,625,000**	$ 840,000	$33,332,000	**$ 173,797,000**
Revenues	756,597,000	2,387,000	2,467,000	761,451,000
Expenditures	739,475,000	(10,274,000)	1,886,000	731,087,000
Increase in Fund Balance	**17,122,000**	12,661,000	581,000	**30,364,000**
Total Ending Fund Balances	**$ 156,747,000**	$ 13,501,000	$33,913,000	**$ 204,161,000**
Fund Balance Components:				
Nonspendable [1]	2,707,000	5,263,000	-	7,970,000
Restricted [2]	-	-	9,041,000	9,041,000
Committed [3]	5,080,000	-	24,872,000	29,952,000
Assigned [4]	4,500,000	-	-	4,500,000
Unassigned	144,460,000	8,238,000	-	152,698,000
Total Ending Fund Balances	**$ 156,747,000**	$ 13,501,000	$33,913,000	**$ 204,161,000**

Notes:

1. **Nonspendable** – Advances to Others $3.6M, Inventory $2.71M, Prepaids & Deposits $1.66M
2. **Restricted** – Endowment Gas Lease $9.041M
3. **Committed** – State Sales Tax Agreement $5.08M; Endowment Gas Lease $24.872M
4. **Assigned** – FEMA PA $2.5M; New City Hall Expenses $2M

Debt Service Fund (GAAP Basis – includes noncash adjustments)

Debt Service Fund (in thousands)	FY2020
Total Revenues	$ 122,987
Total Expenditures	149,392
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,405)
Transfers & Contributions	20,575
Change in Fund Balance	**$ (5,830)**
Beginning Fund Balance	62,369
Ending Fund Balance	**$ 56,539**

Debt Service Fund Balance (in thousands)	FY2019	FY2020	Change
Nonspendable	$ -	$ -	$ -
Restricted	20,273	7,896	(12,377)
Committed	8,602	1,614	(6,988)
Assigned	33,494	47,029	13,535
Unassigned	-	-	-
Total Fund Balance	**$ 62,369**	**$ 56,539**	**$ (5,830)**

Note: The fund balance decrease was due to the early retirement of debt obligations outstanding in FY2020.

Crime Control & Prevention District
(GAAP Basis – includes noncash adjustments)

CCPD (in thousands)	FY2020
Total Revenues	$ 85,720
Total Expenditures	56,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,513
Transfers & Contributions	(21,816)
Change in Fund Balance	**$ 7,697**
Beginning Fund Balance	20,941
Ending Fund Balance	**$ 28,638**

CCPD Fund Balance (in thousands)	FY2019	FY2020	Change
Nonspendable	$ -	$ -	$ -
Restricted	15,414	21,965	6,551
Committed	2,155	1,974	(181)
Assigned	3,372	4,699	1,327
Unassigned	-	-	-
Total Fund Balance	**$ 20,941**	**$ 28,638**	**$ 7,697**

- **Restricted** – Sales Tax Revenues and Intergovernmental Revenue from Fort Worth ISD
- **Committed** – State Sales Tax Agreement
- **Assigned** – Miscellaneous Revenues

Note: $11,859,725 is the excess of reserve available for new expenditures in subsequent year.

Water & Sewer (GAAP Basis – includes noncash adjustments)

Water & Sewer (in thousands)	FY2020
Operating Revenues	$ 478,888
Operating Expenses [1]	217,761
Operating Income	261,127
NonOperating Revenue (Expenses)	(13,056)
Income (Loss) Before Transfers & Contributions	248,071
Transfers & Contributions	82,182
Change in Net Position	**$ 330,253**
Beginning Net Position	2,181,137
Ending Net Position	**$ 2,511,390**

Net Position (in thousands)	FY2019	FY2020	Change
Net Investment in Capital Assets	$ 2,058,178	$ 2,159,080	$ 100,902
Restricted for:			
Debt Service	52,836	49,884	(2,952)
Capital Projects	53,732	93,842	40,110
Unrestricted	**16,391**	**208,584**	**192,193**
Total Net Position	**$ 2,181,137**	**$ 2,511,390**	**$ 330,253**

(1) Operating Expenses:

Added to actual operating expenses: Net OPEB Expenses $2,069,000, Compensated Absences $1,036,000 and Depreciation $78,834,000.

Subtracted from actual operating expenses: Net Pension Liability decrease of $122,361,000 and Prepaids for Supplies and Contractual Services $1,054,000.

Does not include Debt Transfers of $95,092,000 and Capital Transfers of $73,631,000.

Stormwater (GAAP Basis – includes noncash adjustments)

Stormwater (in thousands)	FY2020
Operating Revenues	$ 43,317
Operating Expenses[1]	16,653
Operating Income	26,664
NonOperating Revenue (Expenses)	(1,424)
Income (Loss) Before Transfers & Contributions	25,240
Transfers & Contributions	(4,483)
Change in Net Position	**$ 20,757**
Beginning Net Position	87,036
Ending Net Position	**$ 107,793**

Stormwater Net Position (in thousands)	FY2019	FY2020	Change
Net Investment in Capital Assets	$ 63,463	$ 67,815	$ 4,352
Restricted for:			
Debt Service	3,955	4,999	1,044
Capital Projects	-	-	-
Unrestricted	**19,618**	**34,979**	**15,361**
Total Net Position	**$ 87,036**	**$ 107,793**	**$ 20,757**

(1) Operating Expenses:

Added to actual operating expenses: Compensated Absences $128,000, Net OPEB Expenses $268,000, and Depreciation $11,084,000, and Prepaids for Contractual Services $2,247,000.

Subtracted from actual operating expenses: Net Pension Liability decrease $14,557,000.

Does not include Debt Transfers of $8,911,000 and Capital Transfers of $14,536,000.

Solid Waste (GAAP Basis – includes noncash adjustments)

Solid Waste (in thousands)		FY2020
Operating Revenues	$	67,321
Operating Expenses[1]		50,870
Operating Income		16,451
NonOperating Revenue (Expenses)		1,180
Income (Loss) Before Transfers & Contributions		17,631
Transfers & Contributions		(6,205)
Change in Net Position	**$**	**11,426**
Beginning Net Position		4,880
Ending Net Position	**$**	**16,306**

Solid Waste Net Position (in thousands)	FY2019	FY2020	Change
Net Investment in Capital Assets	$ 14,119	$ 16,710	$ 2,591
Restricted for:			-
Debt Service	911	1,074	163
Capital Projects	-	-	-
Unrestricted	**(10,150)**	**(1,478)**	**8,672**
Total Net Position	**$ 4,880**	**$ 16,306**	**$11,426**

The $8,672,000 resulting decrease in unrestricted deficit from previous year has been influenced by its proportionate share in the City's Net Pension Liability reduction.

(1) Operating Expenses:

Added to actual operating expenses: Compensated Absences $89,000, Net OPEB Expenses $142,000, Prepaids for Contractual Services $29,000, Landfill and Post-closure Costs $1,428,000 and Depreciation $544,000.

Subtracted from actual operating expenses: Net Pension Liability decrease $13,647,000 and Contractual Services $284,000.

Does not include Debt Transfers of $505,000 and Capital Transfers of $1,045,000.

Entity-wide Net Position

FY2020 Net Position

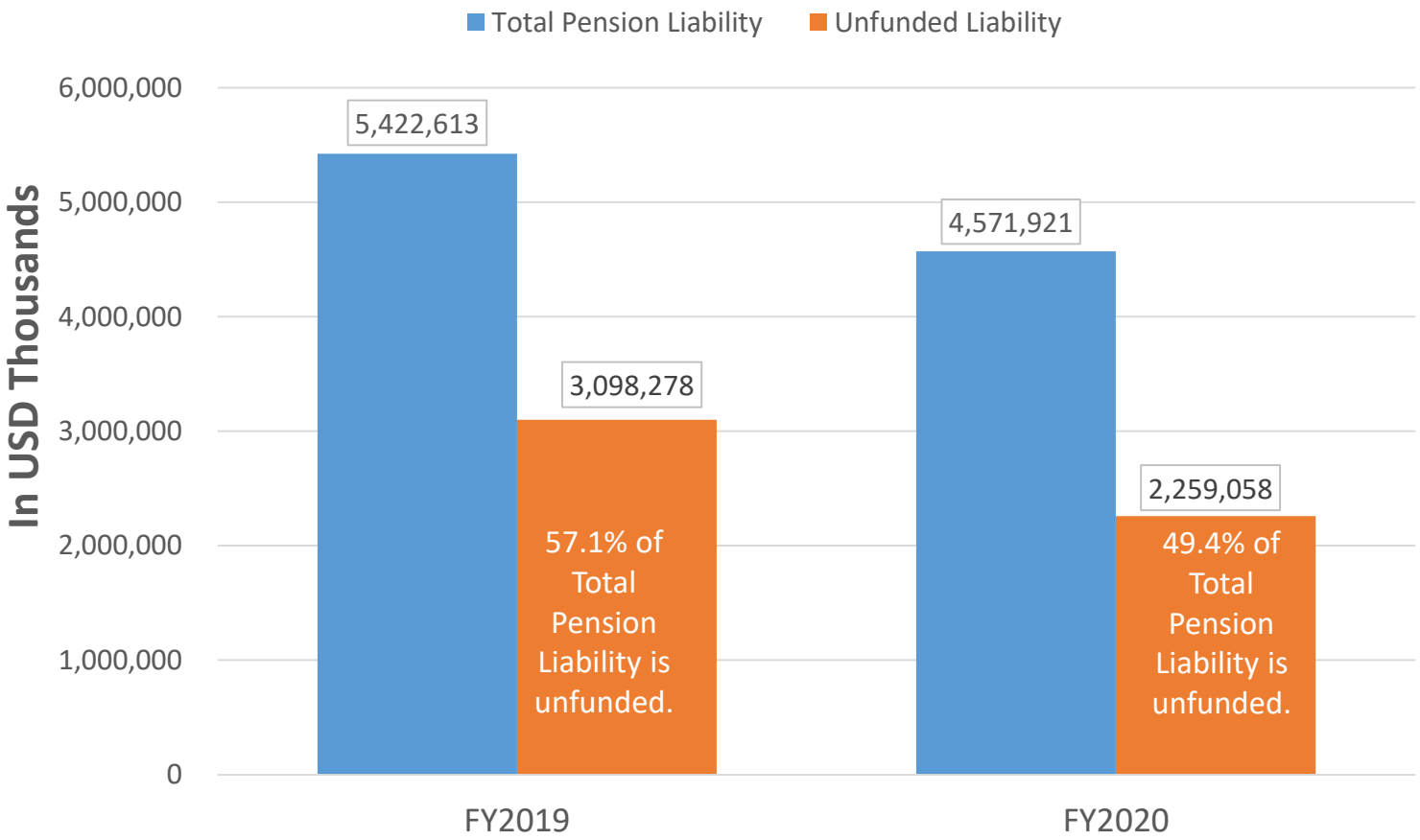
(GAAP Basis – includes noncash adjustments)

Net Position (in thousands)	Governmental Activities	Business-Type Activities	Total
FY2019 Ending Net Position	$ (1,076,748)	$ 2,696,807	$ 1,620,059
FY2020 Activities	1,712,676	362,631	2,075,307
FY2020 Ending Net Position	**$ 635,928**	**$ 3,059,438**	**$ 3,695,366**

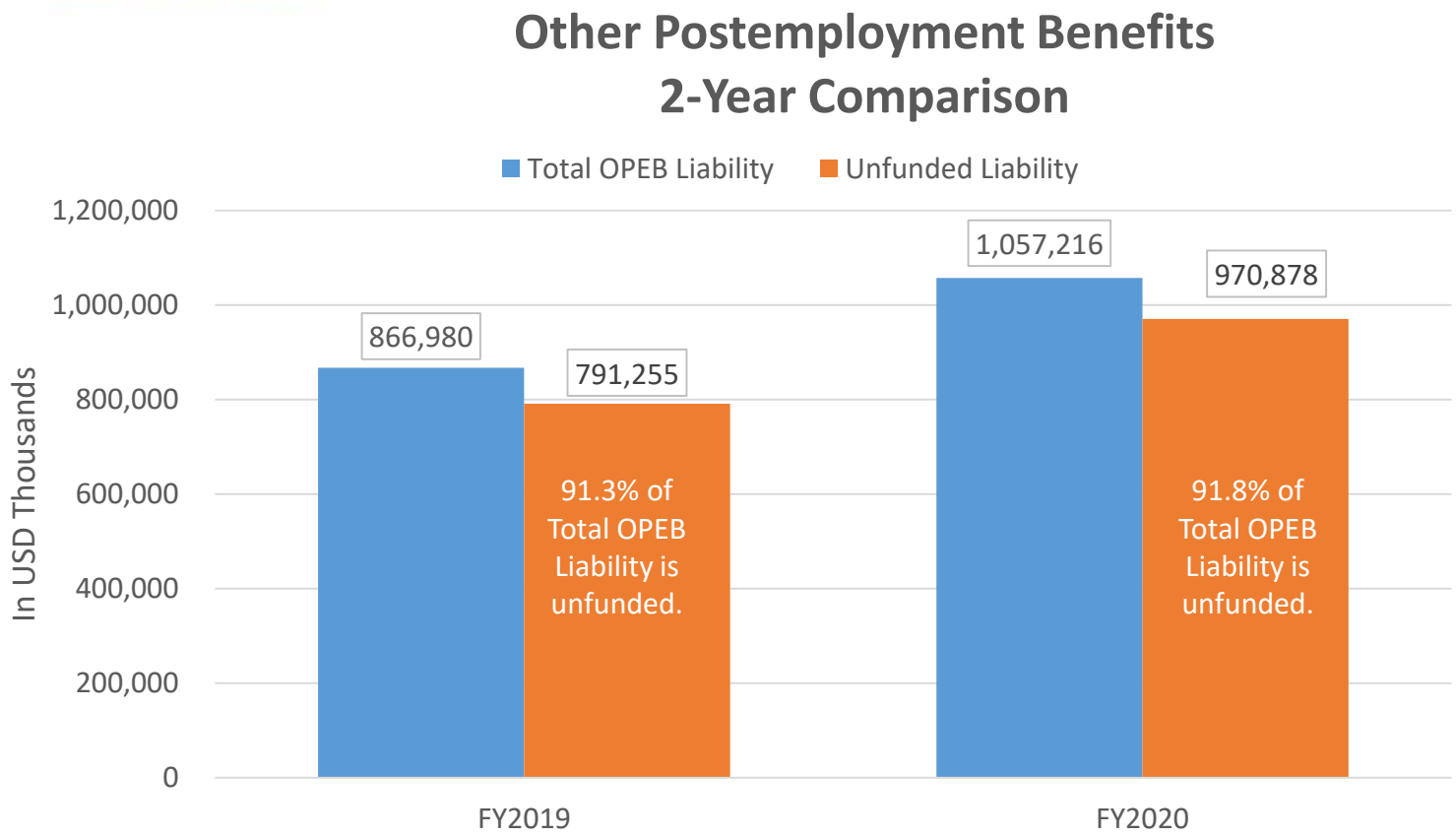
Major drivers for the increase in net position by $2,075,307:

- Net pension liability reduction ($839,220,000)
- Contributed assets increase (Dickies Arena $544,420,000)

Net Pension Liability
2-Year Comparison



Major driver for decrease in Net Pension Liability was benefits terms changes enacted during 2019 which resulted in a stable funded condition.



- OPEB Plan assets in trust as of 09/30/2019 are $86,338,000.
- OPEB expenses are financed on a pay as you go basis.
- The discount rate decreased from 3.86% to 2.78%

FORT WORTH®

Cash - $2,280,019,000

- Increased by $325,157,000 mainly due to debt issuances and remaining unspent COVID-19 CARES Grant
  - Increase $203,449,000 in governmental funds
  - Increase $121,708,000 in business-type funds

Capital Assets - $6,475,514,000

- Increase in Capital Assets of $815,622,000
  - Increased by $639,007,000 in governmental funds
    - $544,420,000 is for Dickies Arena
  - Increased by $176,615,000 in business-type funds
    - $65,636,000 is for Developer Asset Contribution in Water and Sewer Fund

Debt

- City's outstanding bonded and contractual debt obligation $2,077,762,000

(Rounded to nearest 000s)	Beginning Balance	New Issuance (Increase)	Payments (Decrease)	Ending Balance
Governmental				
GO Bonds	$ 520,545,000	$ 151,390,000	$ 95,265,000	$ 576,670,000
CO	152,745,000	-	53,320,000	99,425,000
Other Contractual Debts	303,307,000	25,115,000	10,002,000	318,420,000
Total	$ 976,597,000	$ 176,505,000	$ 158,587,000	$ 994,515,000
Business-Type				
Water and Sewer	$ 880,075,000	$ 230,525,000	$ 161,813,000	$ 948,787,000
Stormwater	107,465,000	-	4,705,000	102,760,000
Non Major Business-Type	33,970,000	-	2,270,000	31,700,000
Total	$ 1,021,510,000	$ 230,525,000	$ 168,788,000	$ 1,083,247,000
Grand Total	**$ 1,998,107,000**	**$ 407,030,000**	**$ 327,375,000**	**$ 2,077,762,000**

Fund Performance / Reserve Compliance

Governmental Funds Reserve Requirement Compliance (Budgetary Basis)

GENERAL FUND	
Fund Balances:	
Nonspendable (Postage, Light & Signal, Fire, and Commissary Inventories)	$ 2,707,228
Committed (State Sales Tax Agreement)	5,078,918
Assigned (FEMA-PA and New City Hall Facility Acquisition)	4,500,000
Unassigned	144,460,216
Ending Fund Balance	$ 156,746,362
Reserve Requirement:	
Unassigned Fund Balance	$ 144,460,216
Subsequent Year's Budgeted Expenditures (FY2021)	782,064,035
Actual Reserve Percentage	18.47%
Minimum Reserve Requirement @16.67% of FY2021 budgeted expenditures	130,370,075

FY2019 Unassigned Fund Balance $130,158,245 [Actual Reserve Percentage 16.86%]

Note: The goal is to maintain and update the unassigned fund balance reserve level, as appropriate.

Governmental Funds Reserve Requirement Compliance (Budgetary Basis)

Fund No./Fund Name	A Next Year's Budgeted Expenditures	B Fund Balances	C Reserve Minimum at 16.67%	D Projected Excess of Reserve	E Compliant with Policy
Special Revenue Funds:					
26001 - Crime Control & Prevention District	$ 84,416,769	$ 25,932,000	$ 14,072,275	$ 11,859,725	✓
25005 - Environmental Management	4,167,674	2,492,000	694,751	1,797,249	✓
Culture and Tourism Funds					
20101 - Culture and Tourism	36,426,837	14,702,000	6,072,354	8,629,646	✓
20103 - 2% Hotel Occupancy Tax	5,870,007	1,301,000	978,530	322,470	✓
20104 - Project Financing Zone	5,689,334	1,997,000	948,412	1,048,588	✓
20105 - DFW Revenue Sharing	3,660,000	2,579,000	610,122	1,968,878	✓
20106 - Venue	8,859,285	3,316,000	1,476,843	1,839,157	✓
20102 - Golf	5,032,048	829,000	838,842	(9,842)	✗
28009 - Alliance Maintenance Facility	5,452,022	3,777,000	908,852	2,868,148	✓

Governmental Funds Reserve Requirement Compliance (Budgetary Basis)

Fund No./Fund Name	A Next Year's Debt Service Schedule	B Fund Balances	C Reserve Minimum at 25%	D Projected Excess of Reserve	E Compliant with Policy
Debt Service Funds:					
40100 - General Debt Service	122,414,685	35,637,000	30,603,671	5,033,329	✓
40101 - Culture & Tourism Debt Service	5,993,205	5,117,000	1,498,301	3,618,699	✓
40103 - Venue Debt Service	14,924,498	6,196,000	3,731,125	2,464,876	✓
40104 - Rock Creek PID Debt Service	1,573,175	1,889,000	393,294	1,495,706	✓

Culture & Tourism and Venue Debt Service Funds:

- In FY20, $3,004,951 was the actual use of fund of balance. In FY21, a total of $5,737,118 is the planned use of fund balance.
- It is projected that the Culture and Tourism Debt Service Funds will remain **narrowly** compliant with the City's reserve policy in FY2021.

Enterprise Funds Reserve Requirement Compliance (GAAP Basis – includes noncash adjustments)

	Major Funds		Nonmajor Funds		
	Water and Sewer	Stormwater Utility	Municipal Parking	Municipal Airport	Solid Waste
Next Year's Budgeted Expenses (FY2021)	$ 310,270,675	$ 22,429,401	$ 4,560,045	$ 7,748,816	$ 68,448,243
1) Working Capital (WC)					
Reserve Goal at 25%	**$ 77,567,669**	**$ 5,607,350**	**$ 1,140,011**	**$ 1,937,204**	**$ 17,112,061**
Working Capital	139,927,000	9,946,000	(850,000)	4,383,000	14,764,000
Compliant with Policy	✓	✓	✗	✓	✗
2) Cash On Hand					
Cash on Hand	$ 152,355,000	$ 11,583,000	$ 958,000	$ 4,447,000	$ 11,935,000
Days Cash on Hand	400	759	242	419	87
Minimum (100 days cash on hand)	38,062,192	1,525,753	396,164	1,062,192	13,787,945
Compliant with Policy	✓	✓	✓	✓	✗
Goal (150 days cash on hand)	57,093,288	2,288,630	594,247	1,593,288	20,681,918
3) No negative unrestricted net position	✓	✓	✓	✓	✗
Unrestricted Net Position	$ 208,584,000	$ 34,979,000	$ 519,000	$ 67,379,000	$ (1,478,000)

Enterprise Funds Reserve Requirement Compliance

(Cash Basis – For Illustrative Purposes Only)

	Major Funds		Nonmajor Funds		
	Water and Sewer	Stormwater Utility	Municipal Parking	Municipal Airport	Solid Waste
Next Year's Budgeted Expenses (FY2021)	$ 310,270,675	$ 22,429,401	$ 4,560,045	$ 7,748,816	$ 68,448,243
1) Working Capital (WC)					
Reserve Goal @25%	**$ 77,567,669**	**$ 5,607,350**	**$ 1,140,011**	**$ 1,937,204**	**$ 17,112,061**
Working Capital (Spendable)	198,269,000	14,046,000	1,547,000	4,318,000	17,792,000
Compliant with Policy	✓	✓	✓	✓	✓
2) Cash On Hand					
Operating expenses, net of depreciation	$ 287,524,000	$ 18,853,000	$ 3,348,000	$ 6,772,000	$ 68,332,000
Cash per day	787,737	51,652	9,173	18,553	187,211
Cash on Hand	$ 134,984,000	$ 9,646,000	$ 1,491,000	$ 3,965,000	$ 8,013,000
Days Cash on Hand	171	187	163	214	43
Minimum (100 days cash on hand)	78,773,699	5,165,205	917,260	1,855,342	18,721,096
Compliant with Policy	✓	✓	✓	✓	✗
Goal (150 days cash on hand)	118,160,548	7,747,808	1,375,890	2,783,014	28,081,644

Audit Results and Findings

FY2020 Audit Results

- Unmodified (Clean) Opinion which is the highest level of assurance expressed by independent auditors on financial statements as a result their audit.
- No Material Weaknesses were identified, therefore, the City remains a low risk auditee
- Completed the audit within the City's internal goal timeline (unchanged from the prior year) given the challenges/disruptions of COVID-19 pandemic

FY2020 Audit Findings

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.

FY2020 Audit Findings

4 Significant Deficiencies

❑ *2020-001 Significant Deficiency in Internal Controls – Assets Held by Third Parties*

Summary: An incorrect journal entry was made in recording the payments sent to United Way as part of the CARES Preserve the Fort initiative.

Proposed Action: The error was corrected and a full reconciliation done of the account in question. This program is over, so the error should not be repeated.

❑ *2020-002 Significant Deficiency – Financial Reporting of Grant Awards*

Summary: A program's expenditures were not reported properly in 2013-2015 annual federal grant reports.

Proposed Action: FMS will review historical reporting for all active grants to ensure that they are not only being reported accurately in the present, but were also reported properly throughout their history.

FY2020 Audit Findings (cont'd)

- ***2020-003 Significant Deficiency – Internal Controls and Compliance (Homeless Housing and Service Program Subrecipient Monitoring)***

Summary: A new Homeless grant was implemented in FY20, City staff charged with monitoring the grant did not ensure the subrecipient provided required evidence of the entity's grant audit and reporting.

Proposed Action: FMS has provided additional training and has worked with the department to develop a more robust program of subrecipient monitoring. In addition, FMS will verify all departments on-going subrecipient monitoring to ensure compliance.

- ***2020-004 Significant Deficiency – Internal Controls and Compliance (Homeless Housing and Service Program Reporting)***

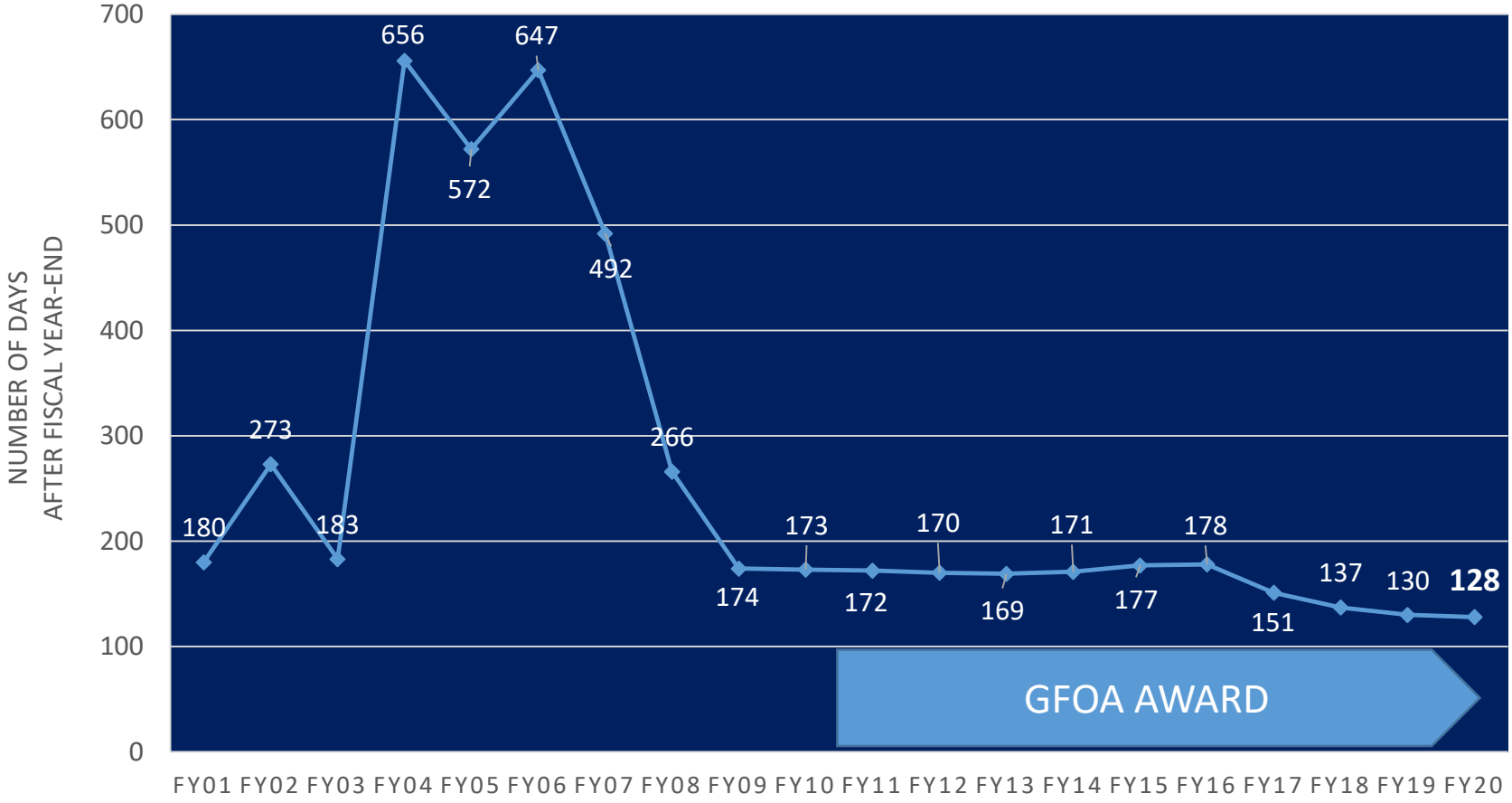
Summary: A new Homeless grant was implemented in FY20, and the City failed to submit a report required by the contract until after the due date.

Proposed Action: FMS has provided additional training to the program and reemphasized the importance of all contractual compliance. FMS will also monitor report submission for all programs to ensure departmental compliance.

Agreed Upon Procedures (AUPs)

- No findings noted in FY20 or changes from prior year.
- Weaver issued 5 separate agreed-upon procedures reports:
  - Budget Compliance
  - Investment Compliance
  - Water and Sewer System Insurance
  - TCEQ Compliance
  - Water Excess Revenues Compliance

COMPREHENSIVE ANNUAL FINANCIAL REPORT ISSUANCE



Discussion/Questions