

# Memorandum



**CITY OF DALLAS**  
Report No. A08-023

**Date:** September 12, 2008

**To:** Honorable Mayor and Members of the City Council

**Subject:** Final Report – Audit of Revenue Sharing Agreement With the City of Euless

The City of Euless accurately determined and timely paid the City of Dallas \$4,845,800, its portion of the Calendar Year (CY) 2007 shared revenue. Further, the Fort Worth City Auditor reported the City of Euless also accurately reported revenue for the previous three calendar years.

### Shared Revenue Remitted to City of Dallas CY 2004 - 2007

<b>Revenue Sources</b>	<b>CY 2004</b>	<b>CY 2005</b>	<b>CY 2006</b>	<b>CY 2007</b>
Increased Revenues	\$ 332,418	\$ 348,646	\$ 218,036	\$ 514,317
Additional Revenues	3,431,862	3,639,279	4,188,263	4,331,483
<b>Totals</b>	<b>\$ 3,764,280</b>	<b>\$ 3,987,925</b>	<b>\$ 4,406,299</b>	<b>\$ 4,845,800</b>

In February 1998, the City of Euless entered into an Interlocal Agreement (Agreement) with the Cities of Dallas and Fort Worth to encourage economic development within the Dallas / Fort Worth (DFW) International Airport. The Agreement provides for sharing certain tax revenues attributed to Euless property within DFW Airport boundaries. The shared revenue is the sum of the amount either collected, credited, and / or received from the property in any calendar year. The Agreement specifies the following two types of revenues:

- "Increased Revenues"<sup>1</sup>, which is the excess of base year (1996) revenues generated from the property, and include the annual maintenance and operation portion of the ad valorem tax; sales and use tax revenues; utility franchise tax revenues; municipal court revenues; mixed beverages tax revenues; and all other general revenue tax levies other than "Additional Revenues".
- "Additional Revenues" are taxes authorized in Chapters 334 and 335 of the Local Government Code. These are the short-term motor vehicle rental tax.

Euless retains one-third (1/3) of total "Increased Revenues" with the remaining two-thirds (2/3) shared by Dallas and Fort Worth in proportion to each City's ownership interest in the

<sup>1</sup> Revenue does not include ad valorem taxes received for general obligation debt service, sales and use tax dedicated for specific purposes, and municipal court revenue dedicated to a specific fund or purpose by state law.

DFW Airport (7/11 and 4/11 respectively). The "Additional Revenues" are evenly split (1/3) between the Cities of Euless, Fort Worth, and Dallas.

The Office of the Dallas City Auditor determined compliance with the Agreement by:

- Interviewing City of Euless management and evaluating processes used to calculate shared revenues
- Reconciling the property tax, sales and use tax, mixed beverage tax, municipal court revenue, utility franchise payment, and short-term motor vehicle tax revenues to information the City of Euless received from the property appraisal district, utility franchisees, and information submitted to the State of Texas Comptroller
- Reviewing the Independent Auditor's Report that verified the accuracy of revenue calculations
- Verifying the revenue was timely remitted by the City of Euless and properly recorded in the City of Dallas accounting system

Our audit objective was to verify whether the City of Euless accurately and timely paid shared revenues for CY 2007 in compliance with the Agreement. This audit was conducted under authority of City Charter, Chapter IX, Section 3.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The results of this audit have been discussed with the City of Euless and City of Dallas management and we appreciate the cooperation received throughout this audit. A written response to this report was not required.

If you have any questions or need additional information, please contact me at 214-670-3222 or Gary Lewis, Assistant City Auditor, at 214-670-5347.

Sincerely,



Craig D. Kinton  
City Auditor

C: Mary K. Suhm, City Manager  
Dave K. Cook, Chief Financial Officer  
Gary McKamie, City Manager – City of Euless