

ANNUAL FINANCIAL REPORT

of the

City of Dalworthington Gardens, Texas

**For the Year Ended
September 30, 2012**

(This page intentionally left blank.)

City of Dalworthington Gardens, Texas

TABLE OF CONTENTS

September 30, 2012

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	3

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	17
Statement of Activities	18

Fund Financial Statements

Governmental Funds:

Balance Sheet	20
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental Funds	23
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26

Proprietary Funds:

Statement of Net Position	27
Statement of Revenues, Expenses, and Changes in Fund Net Position	29
Statement of Cash Flows	30

Notes to Financial Statements	32
--------------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - General Fund	59
Schedule of Funding Progress-Texas Municipal Retirement System	61

COMBINING AND INDIVIDUAL FUND STATEMENTS

Combining Balance Sheet – Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	68

(This page intentionally left blank)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Dalworthington Gardens, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dalworthington Gardens, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brooks Cardiel, PLLC

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
October 07, 2013

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

City of Dalworthington Gardens, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2012

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the City of Dalworthington Gardens, Texas's financial activities for the year ending September 30, 2012. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current-year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Financial Highlights

- The City's total combined net position was \$5,585,880 at September 30, 2012. Of this, \$2,116,259 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$2,511,887, an increase of \$527,743.
- As of the end of the year, the unassigned fund balance of the general fund was \$1,585,533 or 63% of total general fund expenditures.
- The City had an overall increase in net position of \$469,870, which is due to overall revenues increasing more rapidly to overall expenses.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

The Statement of Net Position presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in the net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City into two classes of activities:

1. Governmental Activities - Most of the City's basic services are reported here, including general government, public safety, and public works. Sales tax, property tax, franchise taxes, municipal court fines and permit fees finance most of these activities.
2. Business-Type Activities - Services involving a fee for those services. These services, the City's water distribution, wastewater collection/treatment and sanitation services are reported here.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The City has two categories of funds; governmental, and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with general fund budget.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, water construction operations and sanitation services. The proprietary fund financial statements provide separate information for the water distribution, wastewater collection/treatment fund, and sanitation funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund and schedule of funding progress for Texas Municipal Retirement System. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$5,585,880 as of 2012, in the primary government.

The largest portion of the City's net position, net position invested in capital assets, was \$2,752,167. This amount reflects the City's investments in capital assets (e.g., land, city hall, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2012			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 2,969,875	\$ 590,718	\$ 3,560,593	\$ 2,143,296	\$ 532,696	\$ 2,675,992
Capital assets, net	2,260,120	1,807,047	4,067,167	2,452,085	1,784,293	4,236,378
Total Assets	5,229,995	2,397,765	7,627,760	4,595,381	2,316,989	6,912,370
Other liabilities	435,520	120,340	555,860	210,504	129,001	339,505
Long-term liabilities	1,470,738	15,282	1,486,020	1,452,215	4,640	1,456,855
Total Liabilities	1,906,258	135,622	2,041,880	1,662,719	133,641	1,796,360
Net Position:						
Invested in capital assets, net of related debt	1,354,820	1,397,347	2,752,167	1,051,085	1,784,293	2,835,378
Restricted	717,454	-	717,454	461,028	-	461,028
Unrestricted	1,251,463	864,796	2,116,259	1,420,549	399,055	1,819,604
Total Net Position	\$ 3,323,737	\$ 2,262,143	\$ 5,585,880	\$ 2,932,662	\$ 2,183,348	\$ 5,116,010

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

Statement of Activities:

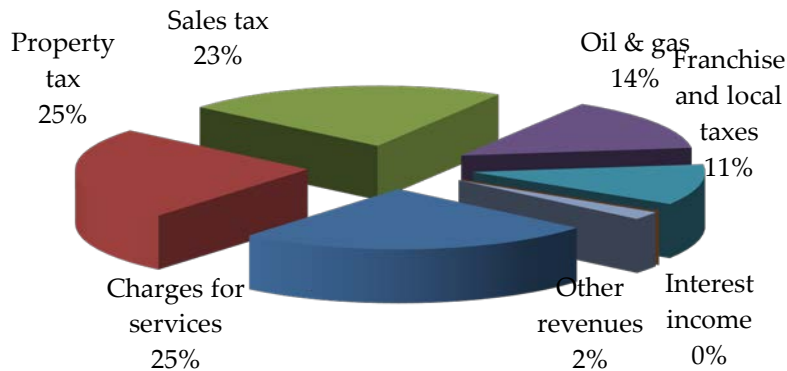
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2012			For the Year Ended September 30, 2011		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 860,080	\$ 1,378,205	\$ 2,238,285	\$ 947,399	\$ 1,485,529	\$ 2,432,928
General revenues:						
Property tax	863,466	-	863,466	789,694	-	789,694
Sales tax	778,877	-	778,877	694,373	-	694,373
Franchise and local taxes	377,860	-	377,860	246,703	-	246,703
Oil and gas mineral rights	490,436	-	490,436	576,735	-	576,735
Interest income	542	545	1,087	1,637	1,767	3,404
Other revenues	74,934	-	74,934	85,439	-	85,439
Total Revenues	3,446,195	1,378,750	4,824,945	3,341,980	1,487,296	4,829,276
Expenses						
General government	785,607	-	785,607	984,200	-	984,200
Public safety	1,824,727	-	1,824,727	1,775,408	-	1,775,408
Public works	375,514	-	375,514	289,779	-	289,779
Interest and fiscal charges	69,272	-	69,272	64,964	-	64,964
Water, sewer, & sanitation	-	1,299,955	1,299,955	-	1,439,457	1,439,457
Total Expenses	3,055,120	1,299,955	4,355,075	3,114,351	1,439,457	4,553,808
Change in Net Position						
Before Transfers	391,075	78,795	469,870	227,629	47,839	275,468
Transfers	-	-	-	129,504	(129,504)	-
Total	-	-	-	129,504	(129,504)	-
Change in Net Position	391,075	78,795	469,870	357,133	(81,664)	275,469
Beginning Net Position	2,932,662	2,183,348	5,116,010	2,575,529	2,265,012	4,840,541
Ending Net Position	\$ 3,323,737	\$ 2,262,143	\$ 5,585,880	\$ 2,932,662	\$ 2,183,348	\$ 5,116,010

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

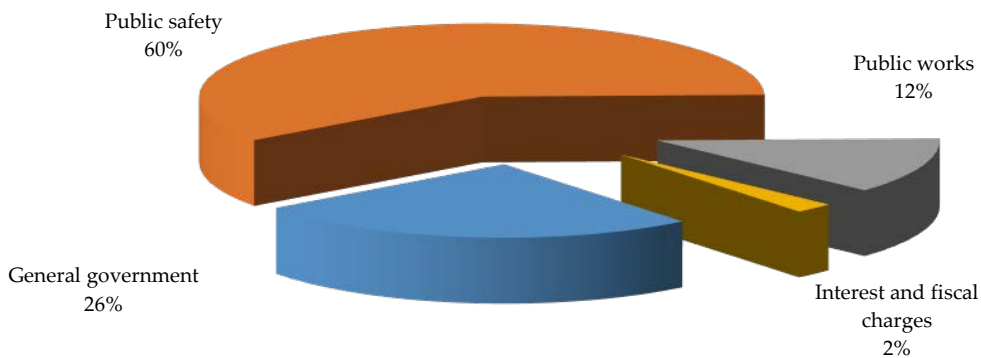
**Governmental Activities -
Revenues**



For the year ended 2012, revenues from governmental activities totaled \$3,446,195. Property tax, charges for services, and sales tax are the City's largest revenue sources. Overall revenue increased by \$104,215 or 2%. Sales tax increased \$84,504 or 11% due to an overall recovery in the economy. Oil and gas revenues decreased by \$86,299 as existing wells slowed production.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

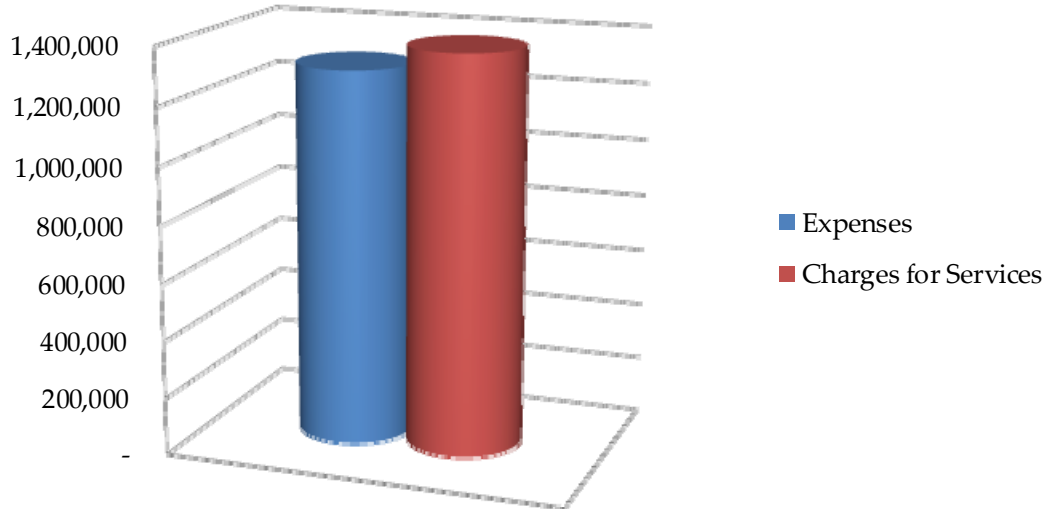


For the year ended September 30, 2012, expenses for governmental activities totaled \$3,055,120. This represents a decrease of \$59,231 or 1% from the prior year. The City's largest functional expense is public safety of \$1,824,727 an increase of \$49,319 or 3%. Public safety amounted to 60% of all the City's expenses. General government expenditures decreased by \$198,593 and totaled \$785,607.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues & Expenses



For the year ended 2012, charges for services by business-type activities totaled \$1,378,205. This is a decrease of \$107,324, or 7%, from the previous year. This decrease directly relates to a decrease in water usage.

Total expenses decreased \$139,502 due primarily to decreased maintenance costs and decreased contracted service during the year. All other expenses remained relatively consistent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$1,794,550. Of this, \$209,017 is committed for capital improvements. Unassigned fund balance totaled \$1,585,533 as of yearend.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

There was an increase in governmental fund balance of \$527,743 over the prior year. The increase was related to actual revenues exceeding budgeted revenues, creating an overall surplus.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$153,160 in the general and debt service funds. This is mainly due to revenues far exceeding budget expectations. Overall revenues were \$390,012 more than budgeted and overall expenses were \$193,412 over budget.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$2,260,120 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$1,807,047 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following additions:

- Dispatch equipment for \$15,850
- Chevrolet Police Tahoe for \$25,633
- Two Harley Davidson Motorcycles for \$29,600

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$1,315,000. During the year, the City had a reduction in the long-term debt of \$85,000. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Dalworthington Gardens, Texas and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2012

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Secretary, 2600 Roosevelt Drive, Dalworthington Gardens, Texas 76016.

(This page intentionally left blank.)

FINANCIAL STATEMENTS

(This page intentionally left blank.)

City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION

September 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 2,811,981	\$ 334,574	\$ 3,146,555
Receivables, net	157,394	256,144	413,538
Prepays	500	-	500
Total Current Assets	2,969,875	590,718	3,560,593
Capital assets:			
Non-depreciable	291,438	109,201	400,639
Net depreciable capital assets	1,968,682	1,697,846	3,666,528
	2,260,120	1,807,047	4,067,167
	5,229,995	2,397,765	7,627,760
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	425,903	55,171	481,074
Customer deposits	-	65,169	65,169
Accrued interest payable	9,617	-	9,617
	435,520	120,340	555,860
Noncurrent liabilities:			
Due within one year	130,811	5,370	136,181
Due in more than one year	1,235,090	597	1,235,687
Net pension obligation	104,837	9,315	114,152
	1,470,738	15,282	1,486,020
Total Liabilities	1,906,258	135,622	2,041,880
<u>Net Position</u>			
Invested in capital assets, net of related debt	1,354,820	1,397,347	2,752,167
Restricted	717,454	-	717,454
Unrestricted	1,251,463	864,796	2,116,259
Total Net Position	\$ 3,323,737	\$ 2,262,143	\$ 5,585,880

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

Functions/Programs	Expenses	<u>Program Revenues</u> Charges for Services
Primary Government		
Governmental Activities		
General government	\$ 785,607	\$ 82,722
Public safety	1,824,727	777,358
Public works	375,514	-
Interest and fiscal charges	69,272	-
Total Governmental Activities	3,055,120	860,080
Business-Type Activities		
Water, Sewer, & Sanitation	1,299,955	1,378,205
Total Business-Type Activities	1,299,955	1,378,205
Total Primary Government	\$ 4,355,075	\$ 2,238,285

General Revenues:

- Taxes
 - Property tax
 - Sales tax
 - Franchise and local taxes
- Oil and gas mineral rights
- Interest income
- Other revenues

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (702,885)	\$ -	\$ (702,885)
(1,047,369)	-	(1,047,369)
(375,514)	-	(375,514)
(69,272)	-	(69,272)
<u>(2,195,040)</u>	<u>-</u>	<u>(2,195,040)</u>
-	78,250	78,250
-	78,250	78,250
<u>(2,195,040)</u>	<u>78,250</u>	<u>(2,116,790)</u>
863,466	-	863,466
778,877	-	778,877
377,860	-	377,860
490,436	-	490,436
542	545	1,087
74,934	-	74,934
<u>2,586,115</u>	<u>545</u>	<u>2,586,660</u>
391,075	78,795	469,870
2,932,662	2,183,348	5,116,010
<u>\$ 3,323,737</u>	<u>\$ 2,262,143</u>	<u>\$ 5,585,880</u>

City of Dalworthington Gardens, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2012

	General	Parks and Recreation Facility Development	Debt Service	Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 2,152,864	\$ 323,890	\$ 34,019	\$ 301,208
Receivables, net	89,129	31,826	6,417	30,022
Prepays	500	-	-	-
Total Assets	\$ 2,242,493	\$ 355,716	\$ 40,436	\$ 331,230
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 422,275	\$ -	\$ -	\$ 3,628
Total Liabilities	422,275	-	-	3,628
<u>Deferred Inflows of Resources</u>				
Unavailable revenue property taxes	25,668	-	6,417	-
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	-	34,019	-
Parks and Recreation	-	355,716	-	-
Special revenue	-	-	-	327,719
Committed for:				
Capital improvements	209,017	-	-	-
Unassigned reported in:				
General fund	1,585,533	-	-	(117)
Total Fund Balances	1,794,550	355,716	34,019	327,602
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,242,493	\$ 355,716	\$ 40,436	\$ 331,230

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 2,811,981
157,394
500
\$ 2,969,875

\$ 425,903
425,903

32,085

34,019
355,716
327,719

209,017

1,585,416
2,511,887

\$ 2,969,875

(This page intentionally left blank.)

City of Dalworthington Gardens, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2012

Fund Balances - Total Governmental Funds	\$ 2,511,887
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	291,438
Capital assets - net depreciable	1,968,682
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
	32,085
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(9,617)
Non-current liabilities due in one year	(130,811)
Non-current liabilities due in more than one year	(1,235,090)
Net pension obligation	(104,837)
Net Position of Governmental Activities	<u>\$ 3,323,737</u>

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS For the Year Ended September 30, 2012

	<u>General</u>	<u>Parks and Recreation Facility Development</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>
<u>Revenues</u>				
Property tax	\$ 666,575	\$ -	\$ 164,806	\$ -
Sales tax	393,848	196,895	-	188,134
Franchise and local taxes	377,860	-	-	-
License and permits	82,722	-	-	-
Fines and forfeitures	737,480	-	-	39,878
Oil and gas mineral rights	490,436	-	-	-
Interest income	-	528	14	-
Other revenues	74,801	-	-	133
Total Revenues	2,823,722	197,423	164,820	228,145
<u>Expenditures</u>				
Current:				
General government	690,841	12,240	-	-
Public safety	1,451,715	-	-	179,289
Public works	262,282	-	-	-
Capital outlay	96,833	47,065	-	1,447
Debt Service:				
Principal	-	-	85,000	-
Interest and fiscal charges	-	-	59,655	-
Total Expenditures	2,501,671	59,305	144,655	180,736
Net Change in Fund Balances:	322,051	138,118	20,165	47,409
Beginning fund balances	1,472,499	217,598	13,854	280,193
Ending Fund Balances	\$ 1,794,550	\$ 355,716	\$ 34,019	\$ 327,602

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 831,381
778,877
377,860
82,722
777,358
490,436
542
74,934

3,414,110

703,081
1,631,004
262,282
145,345

85,000
59,655

2,886,367

527,743
1,984,144

\$ 2,511,887

City of Dalworthington Gardens, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	527,743
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		118,083
Depreciation expense		(310,048)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		32,085
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		451
Accrued interest		(9,617)
<p>The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments		85,000
Increase in net pension obligation		(52,622)
		(52,622)
Change in Net Position of Governmental Activities	\$	391,075

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2012

	<u>Water, Sewer & Sanitation</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 334,574
Receivables, net	256,144
Total Current Assets	<u>590,718</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	109,201
Net depreciable capital assets	1,697,846
Total Noncurrent Assets	<u>1,807,047</u>
Total Assets	<u>2,397,765</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	55,171
Customer deposits	65,169
Total Current Liabilities	<u>120,340</u>
<u>Noncurrent Liabilities</u>	
Due within one year	5,370
Due in more than one year	597
Net pension obligation	9,315
Total Liabilities	<u>135,622</u>
<u>Net Position</u>	
Invested in capital assets, net of related debt	1,397,347
Unrestricted	864,796
Total Net Position	<u>\$ 2,262,143</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

City of Dalworthington Gardens, Texas
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2012

	Water, Sewer & Sanitation
<u>Operating Revenues</u>	
Water sales	\$ 867,123
Sewer revenue	357,541
Refuse collection	116,630
Other revenue	36,911
Total Operating Revenues	1,378,205
 <u>Operating Expenses</u>	
Cost of water	511,827
Personnel	206,810
Material and supplies	123,977
Contracted services	334,624
Depreciation	122,717
Total Operating Expenses	1,299,955
Operating Income	78,250
 <u>Nonoperating Revenues (Expenses)</u>	
Investment income	545
Total Nonoperating Revenues (Expenses)	545
Change in Net Position	78,795
Beginning net position	2,183,348
Ending Net Position	\$ 2,262,143

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2012

	Water, Sewer & Sanitation
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 1,314,771
Payments to suppliers, contractors and employees	(1,182,042)
Net Cash Provided by Operating Activities	132,729
<u>Cash Flows (Used) Provided by Capital and Related Financing Activities</u>	
Capital purchases	(145,037)
Increase in net pension obligation	4,676
Net Cash (Used) by Capital and Related Financing Activities	(140,361)
<u>Cash Flows from Investing Activities</u>	
Interest on investments	544
Net Cash Provided by Investing Activities	544
Net (Decrease) Increase in Cash and Cash Equivalents	(7,088)
Beginning cash and cash equivalents	341,662
Ending Cash and Cash Equivalents	\$ 334,574

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2012

	<u>Water, Sewer & Sanitation</u>
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 78,250
Adjustments to reconcile operating income to net cash provided:	
Depreciation	122,717
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(68,333)
Customer deposits	4,899
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(4,804)
Net Cash Provided by Operating Activities	\$ 132,729

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dalworthington Gardens, Texas, (the "City") was incorporated on July 19, 1949 under Title 28, Revised Civil Statutes of Texas, 1928, Chapters 1-10, as amended, relating to cities and towns. The City operates under an aldermanic form of government and provides the following services as authorized by the general laws of the State of Texas as duly incorporated general law City and subsequent City ordinances; public safety (police and fire), highway and streets, sanitation, water and sewer, public improvements, planning and zoning, and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component units. The City's Parks and Recreation Facility Development Corporation are governed by the City Council. Although it is legally separate from the City, the Parks and Recreation Facility Development Corporation is reported as a Special Revenue Fund as if it were part of the primary government because its purpose is to promote economic development and operate, maintain, and finance the costs of the City's parks and recreation facilities using taxes collected under Section 4B of the Development Corporation Act of 1979.

The Dalworthington Gardens Crime Control District is a special purpose district that collects sales tax within its boundaries for the purpose of controlling and preventing crime. The District's board consists of the City Council.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Requirements of the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the City’s activities;
- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**—This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The government reports the following governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government and public safety. The general service fund is considered a major fund for reporting purposes.

Parks and Recreation Facilities and Economic Development Corporation

The Parks and Recreation Facilities and Economic Development Corporation was incorporated on June 15, 1992 under the Development Corporation Act of 1979, Article 5190.6, Section 4B. It is funded by .5% sales tax and the funds are restricted for use in the promotion of economic development and maintenance and improvement of the parks and recreation facilities. This fund is used to account for these revenues and expenditures. This fund is considered a major fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise fund:

Water, Sewer, & Sanitation Fund

This fund is used to account for the provision of water, sewer & garbage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems, and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

D. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

All trade receivables are shown net of any allowance for uncollectible amounts.

3. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the City. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 years
Furniture and equipment	5 to 10 years
Infrastructure	40 years
Water and sewer system	40 years
Buildings and improvements	40 years

5. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

6. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

9. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the function level. No funds can be

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

Expenditures exceeded appropriations for general government, the police department, and capital outlay.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2012, the primary government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	365	0.0
Total fair value	<u>\$ 365</u>	
Portfolio weighted average maturity		0.0

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2012, the City's investment in TexSTAR was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2012, the market values of pledged securities and FDIC exceeded bank balances.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexSTAR

The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexSTAR are the same as the value of TexSTAR shares.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Parks and Recreation Facility Development	Debt Service	Nonmajor Governmental Funds	Water, Sewer & Sanitation	Total
Property taxes	\$ 25,668	\$ -	\$ 6,417	\$ -	\$ -	\$ 32,085
Sales tax	63,461	31,826	-	30,022	-	125,309
Accounts	-	-	-	-	313,334	313,334
Allowance	-	-	-	-	(57,190)	(57,190)
	<u>\$ 89,129</u>	<u>\$ 31,826</u>	<u>\$ 6,417</u>	<u>\$ 30,022</u>	<u>\$ 256,144</u>	<u>\$ 413,538</u>

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 291,438	\$ -	\$ -	\$ 291,438
Total capital assets not being depreciated	<u>291,438</u>	<u>-</u>	<u>-</u>	<u>291,438</u>
Capital assets, being depreciated:				
Buildings and improvements	595,953	-	-	595,953
Vehicles and equipment	1,616,885	87,895	-	1,704,780
Infrastructure	2,753,881	30,188	-	2,784,069
Total capital assets being depreciated	<u>4,966,719</u>	<u>118,083</u>	<u>-</u>	<u>5,084,802</u>
Less accumulated depreciation				
Buildings and improvements	329,878	15,029	-	344,907
Vehicles and equipment	1,137,974	164,524	-	1,302,499
Infrastructure	1,338,220	130,495	-	1,468,715
Total accumulated depreciation	<u>2,806,072</u>	<u>310,048</u>	<u>-</u>	<u>3,116,120</u>
Net capital assets being depreciated	<u>2,160,647</u>	<u>(191,965)</u>	<u>-</u>	<u>1,968,682</u>
Total capital assets	<u><u>\$ 2,452,085</u></u>	<u><u>\$ (191,965)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,260,120</u></u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 13,057
Public Safety	166,886
Public Works	106,391
Parks & Recreation	23,714
Total Governmental Activities Depreciation Expense	<u><u>\$ 310,048</u></u>

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 109,201	\$ -	\$ -	\$ 109,201
Total capital assets not being depreciated	109,201	-	-	109,201
Capital assets, being depreciated:				
Buildings and improvements	1,118	-	-	1,118
Water and sewer system	4,317,430	145,472	-	4,462,902
Vehicles and equipment	343,031	-	-	343,031
Total capital assets being depreciated	4,661,579	145,472	-	4,807,051
Less accumulated depreciation				
Buildings and improvements	1,118	-	-	1,118
Water and sewer system	2,766,769	96,272	-	2,863,041
Vehicles and equipment	218,601	26,445	-	245,046
Total accumulated depreciation	2,986,488	122,717	-	3,109,205
Net capital assets being depreciated	1,675,091	22,755	-	1,697,846
Total capital assets	\$ 1,784,292	\$ 22,755	\$ -	\$ 1,807,047

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 455,000	\$ -	\$ (30,000)	\$ 425,000	\$ 30,000
Combination Tax and Revenue Certificate of Obligation	945,000	-	(55,000)	890,000	55,000
Other liabilities:					
Compensated absences	51,352	50,547	(50,998)	50,901	45,811
Net pension obligation	52,215	52,622	-	104,837	-
Total Governmental Activities	<u>\$ 1,503,567</u>	<u>\$ 103,169</u>	<u>\$ (135,998)</u>	<u>\$ 1,470,738</u>	<u>\$ 130,811</u>
Long-term liabilities due in more than one year				<u>\$ 1,339,927</u>	
Business-Type Activities:					
Other liabilities:					
Compensated absences	6,292	4,492	(4,817)	5,967	5,370
Net pension obligation	4,639	4,676	-	9,315	-
Total Business-Type Activities	<u>\$ 10,931</u>	<u>\$ 9,168</u>	<u>\$ (4,817)</u>	<u>\$ 15,282</u>	<u>\$ 5,370</u>
Long-term liabilities due in more than one year				<u>\$ 9,912</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Total Long-Term Debt			
2004 Certificate of obligation bond (54%)	4.24%-10%	\$ 1,275,000	\$ 890,000
2006 General obligation refunding bond (100%)	4.70%-10%	605,000	425,000
	Total	\$ 1,880,000	\$ 1,315,000

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	Governmental Activities			
	2004 C.O. Bond		2006 G.O. Bond	
	Principal	Interest	Principal	Interest
2013	\$ 55,000	\$ 37,736	\$ 30,000	\$ 19,975
2014	55,000	35,404	35,000	18,565
2015	65,000	78,000	35,000	16,920
2016	65,000	71,500	40,000	15,275
2017	65,000	65,000	25,000	13,395
2018	75,000	58,500	25,000	26,000
2019	75,000	51,000	30,000	23,500
2020	80,000	43,500	35,000	20,500
2021	85,000	35,500	35,000	17,000
2022	85,000	27,000	40,000	13,500
2023	90,000	18,500	45,000	9,500
2024	95,000	19,000	50,000	10,000
	\$ 890,000	\$ 540,640	\$ 425,000	\$ 204,130

Certificate of Obligation Bond, Series 2004; due in annual installments through August 1, 2024, bearing interest ranging from 4.24% to 10% payable February 1 and August 1.

General Obligation Bond, Series 2006; due in annual installments through August 1, 2024, bearing interest ranging from 4.7% to 10% payable February 1 and August 1.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

E. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances restricted/committed by the City:

	<u>Restricted</u>	<u>Committed</u>
Debt Service	\$ 34,109	\$ -
Parks and Recreation	355,716	-
Special Revenue	327,719	-
Capital Improvements	-	209,017
Total	<u>\$ 717,544</u>	<u>\$ 209,017</u>

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2012

D. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Three-Year Contribution Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Pension Cost (ARC)	\$ 325,685	\$ 324,129	\$ 240,374
Actual Contributions Made	\$ 268,388	\$ 267,275	\$ 240,374
Percentage of APC Contributed	83%	83%	100%
Net Pension (Obligation)/Asset	<u>(57,297)</u>	<u>(56,854)</u>	<u>-</u>
NPO at the End of Period	<u><u>\$ 114,151</u></u>	<u><u>\$ 56,854</u></u>	<u><u>\$ -</u></u>

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows

Valuation Date	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.0 years; closed period	27.1 years; closed period	26.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.5%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.00% 2.1%	3.00% 2.1%	3.00% 2.1%

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Fiscal Year	<u>2011</u>
Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$ 2,794,260
Actuarial Accrued Liability	\$ 5,292,045
Percentage Funded	52.8%
Annual Covered Payroll	\$ 1,440,843
Unfunded Actuarial Accrued Liability (UAAL) % of Covered Payroll	\$ (2,497,785) (173.4)%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's retiree contribution rates to the TMRS SDBF for the years ended 2012, 2011 and 2010 are as follows:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed	Amount
2010	0.01%	0.01%	100.0%	\$106
2011	0.01%	0.01%	100.0%	\$154
2012	0.01%	0.01%	100.0%	\$154

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2012

E. Restatement

The City has restated beginning fund balance/net position within governmental activities, business-type activities, general, and water/sewer/sanitation funds due to a change in the reporting of deposits, and accruals. The restatement of beginning net position/fund balance is as follows:

	Governmental Activities	General Fund	Parks and Recreation Facility Development	Crime Control Control and Prevention
Prior year ending net position				
fund balance as reported	\$ 2,913,503	\$ 1,451,742	\$ 191,625	\$ 49,954
Change in reporting of sales tax accrual	103,126	52,509	25,973	24,644
Change in reporting of property taxes	(19,810)	(19,810)	-	-
Change in reporting of liabilities	2,269	2,269	-	-
Restatement for correction of errors	(14,211)	(14,211)	-	-
Restatement for net pension obligation	(52,215)	-	-	-
Restated beginning net position/fund balance	\$ 2,932,662	\$ 1,472,499	\$ 217,598	\$ 74,598
	Business-Type Activities	Water, Sewer & Sanitation		
Prior year ending net position				
as reported	\$ 2,193,722	\$ 2,193,722		
Restatement for correction of errors	9,353	9,353		
Change in reporting of bad debt	(15,521)	(15,521)		
Change in reporting of capital assets	434	434		
Restatement for net pension obligation	(4,640)	(4,640)		
Restated beginning net position	\$ 2,183,348	\$ 2,183,348		

F. Subsequent Events

There were no material subsequent events through October 07, 2013, the date the financial statements were issued.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND DEBT SERVICE FUNDS
For the Year Ended September 30, 2012

	Original and Final Budget	General	Debt Service	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 781,000	\$ 666,575	\$ 164,806	\$ 50,381
Sales tax	275,000	393,848	-	118,848
Franchise and local taxes	181,500	377,860	-	196,360
License and permits	81,700	82,722	-	1,022
Municipal court	756,930	737,480	-	(19,450)
Oil and gas mineral rights	469,800	490,436	-	20,636
Other revenues	52,600	74,801	14	22,215
Total Revenues	2,598,530	2,823,722	164,820	390,012
<u>Expenditures</u>				
Current:				
General government	652,755	690,841	-	(38,086) *
Public safety	1,420,940	1,451,715	-	(30,775) *
Public works	265,210	262,282	-	2,928
Capital outlay	11,000	96,833	-	(85,833) *
Debt Service				
Principal	60,000	-	85,000	(25,000) *
Interest and fiscal charges	43,009	-	59,655	(16,646) *
Total Expenditures	2,452,914	2,501,671	144,655	(193,412)
Revenues Over (Under)	145,616	322,051	20,165	196,600
<u>Other Financing Sources (Uses)</u>				
Transfers in	43,440	-	-	(43,440)
Total Other Financing Sources	43,440	-	-	(43,440)
Net Change in Fund Balance	\$ 189,056	322,051	20,165	\$ 153,160
Beginning fund balance		1,472,499	13,854	
Ending Fund Balance		\$ 1,794,550	\$ 34,019	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations.

(This page intentionally left blank.)

City of Dalworthington Gardens, Texas

SCHEDULE OF FUNDING PROGRESS- TEXAS MUNICIPAL RETIREMENT SYSTEM

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. The City has paid the minimum "phase in" rate rather than the full rate and a net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Actuarial Valuation Date	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>
Actuarial Value of Assets	\$ 2,794,260 (a)	\$ 2,386,252 (b)	\$ 1,855,428	\$ 1,428,679
Actuarial Accrued Liability	\$ 5,292,045	\$ 4,961,976	\$ 4,049,685	\$ 3,566,072
Percentage Funded	52.8%	48.1%	45.8%	40.1%
Unfunded Actuarial				
Accrued Liability	\$ 2,497,785	\$ 2,575,724	\$ 2,194,257	\$ 2,137,393
Annual Covered Payroll	\$ 1,440,843	\$ 1,469,779	\$ 1,426,559	\$ 1,522,340
Unfunded Actuarial Accrued Liability				
(UAAL) % of Covered Payroll	173.4%	175.2%	153.8%	140.4%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ 56,854	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 325,685	\$ 324,129	\$ 240,374	\$ 248,634
Contributions Made	\$ 268,388	\$ 267,275	\$ 240,374	\$ 248,634
NPO at the End of Period	<u><u>\$ 114,151</u></u>	<u><u>\$ 56,854</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(a) Actuarial valuation performed under the new fund structure

(b) Actuarial valuation performed under the old fund structure

(This page intentionally left blank.)

***COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES***

(This page intentionally left blank.)

City of Dalworthington Gardens, Texas

NONMAJOR GOVERNMENTAL FUNDS

MUNICIPAL COURT SECURITY FUND

The Municipal Court Security Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for municipal court security.

DALWORTHINGTON GARDENS CRIME CONTROL AND PREVENTION DISTRICT

The District is funded by sales tax and its expenditures are legally restricted to crime control and prevention within the District.

MUNICIPAL COURT AUTOMATION FUND

The Municipal Court Automation Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for municipal court automation.

PARK DONATIONS FUND

The Park Donations Fund accounts for grants restricted for City parks.

PUBLIC SAFETY SEIZURES FUND

The Public Safety Seizures Fund accounts for police seizures that are still involved in the court system.

City of Dalworthington Gardens, Texas

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2012

	Municipal Court Security	Crime Control and Prevention	Municipal Court Automation	Park Donations
<u>Assets</u>				
Cash and cash equivalents	\$ 48,677	\$ 99,980	\$ 135,075	\$ 17,469
Accounts receivable	-	30,022	-	-
Total Assets	\$ 48,677	\$ 130,002	\$ 135,075	\$ 17,469
<u>Liabilities</u>				
Accounts payable	\$ 80	\$ 1,646	\$ -	\$ 57
Accrued liabilities	-	1,721	-	-
Total Liabilities	80	3,367	-	57
<u>Fund Balances</u>				
Restricted	48,597	126,635	135,075	17,412
Unassigned	-	-	-	-
Total Fund Balances	48,597	126,635	135,075	17,412
Total Liabilities and Fund Balances	\$ 48,677	\$ 130,002	\$ 135,075	\$ 17,469

Public Safety		
<u>Seizures</u>		<u>Total</u>
\$ 7		\$ 301,208
-		30,022
<u>\$ 7</u>		<u>\$ 331,230</u>
\$ 124		\$ 1,907
-		1,721
<u>124</u>		<u>3,628</u>
-		327,719
(117)		(117)
<u>(117)</u>		<u>327,602</u>
<u>\$ 7</u>		<u>\$ 331,230</u>

City of Dalworthington Gardens, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	<u>Municipal Court Security</u>	<u>Crime Control and Prevention</u>	<u>Municipal Court Automation</u>	<u>Park Donations</u>
<u>Revenues</u>				
Sales tax	\$ -	\$ 188,134	\$ -	\$ -
Municipal Court	15,611	-	14,964	20
Seizures	-	-	-	-
Other Income	-	133	-	-
Total Revenues	<u>15,611</u>	<u>188,267</u>	<u>14,964</u>	<u>20</u>
<u>Expenditures</u>				
Public safety	6,600	136,230	20,819	-
Capital outlay	-	-	1,447	-
Total Expenditures	<u>6,600</u>	<u>136,230</u>	<u>22,266</u>	<u>-</u>
Net Change in Fund Balances	9,011	52,037	(7,302)	20
Beginning fund balances	39,586	74,598	142,377	17,392
Ending Fund Balances	<u>\$ 48,597</u>	<u>\$ 126,635</u>	<u>\$ 135,075</u>	<u>\$ 17,412</u>

Public Safety Seizures	Total
\$ -	\$ 188,134
-	30,595
9,283	9,283
-	133
<u>9,283</u>	<u>228,145</u>
15,640	179,289
-	1,447
<u>15,640</u>	<u>180,736</u>
(6,357)	47,409
6,240	280,193
<u>\$ (117)</u>	<u>\$ 327,602</u>

(This page intentionally left blank.)