

ANNUAL FINANCIAL REPORT

of the

City of Dalworthington Gardens, Texas

**For the Year Ended
September 30, 2017**

City of Dalworthington Gardens, Texas

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September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.E. to the financial statements, the City restated beginning net position and fund balance due to accounting errors occurring in the prior year. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The debt service fund budgetary comparison schedule and combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
February 26, 2018

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

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City of Dalworthington Gardens, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2017

As management of the City of Dalworthington Gardens, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

Financial Highlights

- The City's total combined net position was \$992,865 at September 30, 2017. Of this there is an unrestricted net position balance of negative \$2,236,969.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,360,269, an increase of \$2,374,325.
- As of the end of the year, the unassigned fund balance of the general fund was \$564,248 or 19% of total general fund expenditures.
- The City had an overall decrease in net position of \$131,057.
- The City closed the year with a net pension liability of \$2,892,978.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for

City of Dalworthington Gardens, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2017

some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City include water and sewer, and solid waste operations.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 fiscal year. Such information may be useful in assessing a government'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 revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine 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 fund, parks and recreation facility development fund, capital projects fund, debt service fund, and crime control and prevention fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

City of Dalworthington Gardens, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2017

The City adopts an annual appropriated budget for its general, debt service, parks and recreation facility development, and crime control and prevention district funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their respective budget.

Proprietary Funds

The City maintains one 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 an enterprise fund to account for its water distribution, wastewater collection/treatment, water construction operations and sanitation services. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund and debt service fund, a budgetary comparison schedule for the parks and recreation facility development fund, schedule of changes in the net pension liability and related ratios and schedule of employer contributions for the 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 \$992,865 as of September 30, 2017, in the primary government.

The City's total investments in capital assets is \$4,596,490 (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2017

The following table reflects the condensed Statement of Net Position:

	2017			2016		
	Governmental	Business-Type		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
Current and						
other assets	\$ 4,342,693	\$ 530,691	\$ 4,873,384	\$ 1,826,767	\$ 506,595	\$ 2,333,362
Capital assets, net	2,382,897	2,213,593	4,596,490	2,904,317	1,484,997	4,389,314
Internal balances	395,479	(395,479)	-	731,811	(731,811)	-
Total Assets	7,121,069	2,348,805	9,469,874	5,462,895	1,259,781	6,722,676
 Deferred Outflows						
of Resources	430,182	32,379	462,561	504,160	37,947	542,107
 Other liabilities	615,616	238,991	854,607	745,224	219,305	964,529
Long-term liabilities	7,723,656	202,956	7,926,612	4,820,705	206,171	5,026,876
Total Liabilities	8,339,272	441,947	8,781,219	5,565,929	425,476	5,991,405
 Deferred Inflows						
of Resources	147,266	11,085	158,351	138,994	10,462	149,456
 Net Position:						
Net investment in						
capital assets	158,570	2,213,593	2,372,163	1,397,164	1,487,660	2,884,824
Restricted	857,671	-	857,671	747,893	-	747,893
Unrestricted	(1,951,528)	(285,441)	(2,236,969)	(1,882,925)	(625,870)	(2,508,795)
Total Net Position	\$ (935,287)	\$ 1,928,152	\$ 992,865	\$ 262,132	\$ 861,790	\$ 1,123,922

Current and other assets of governmental activities were \$4,342,693 and \$1,826,767 as of September 30, 2017 and September 30, 2016. The increase of \$2,515,926 or 138% is directly attributable to the increase in cash as a result of the issuance of GO refunding and improvement bonds in the current year. The issuance of these bonds also explains the increase in the long-term liabilities of governmental activities. The net investment in capital assets in governmental activities decreased by \$1,238,594. The decrease is mainly attributed to depreciation and the \$824,750 of capital assets that were transferred to the water, sewer and sanitation fund.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2017

Statement of Activities:

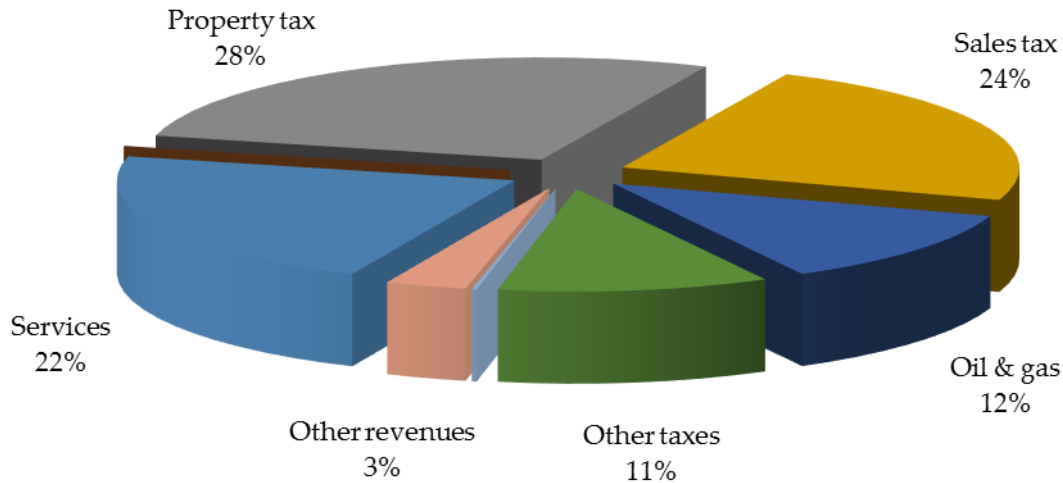
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016		
	Governmental	Business-Type	Primary	Governmental	Business-Type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenues						
Program revenues:						
Services	\$ 732,084	\$ 1,669,699	\$ 2,401,783	\$ 726,582	\$ 1,330,579	\$ 2,057,161
Grants and capital contributions	-	-	-	120,000	-	120,000
General revenues:						
Property tax	927,715	-	927,715	857,678	-	857,678
Sales tax	772,811	-	772,811	768,334	-	768,334
Other taxes	365,243	-	365,243	300,282	-	300,282
O&G revenue	397,197	-	397,197	576,212	-	576,212
Interest income	6,747	174	6,921	1,313	182	1,495
Other revenues	109,080	226,939	336,019	43,201	-	43,201
Total Revenues	3,310,877	1,896,812	5,207,689	3,393,602	1,330,761	4,724,363
Expenses						
General	779,597	-	779,597	863,364	-	863,364
Public safety	2,123,033	-	2,123,033	2,184,652	-	2,184,652
Public works	416,975	-	416,975	1,000,728	-	1,000,728
Parks and recreation	105,100	-	105,100	114,229	-	114,229
Interest	244,947	-	244,947	79,751	-	79,751
Utilities	-	1,669,094	1,669,094	-	1,790,114	1,790,114
Total Expenses	3,669,652	1,669,094	5,338,746	4,242,724	1,790,114	6,032,838
Change in Net Position						
Before Transfers	(358,775)	227,718	(131,057)	(849,122)	(459,353)	(1,308,475)
Transfers	(838,644)	838,644	-	-	-	-
Total	(838,644)	838,644	-	-	-	-
Change in Net Position	(1,197,419)	1,066,362	(131,057)	(849,122)	(459,353)	(1,308,475)
Beginning Net Position	262,132	861,790	1,123,922	1,111,254	1,321,143	2,432,397
Ending Net Position	\$ (935,287)	\$ 1,928,152	\$ 992,865	\$ 262,132	\$ 861,790	\$ 1,123,922

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2017

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

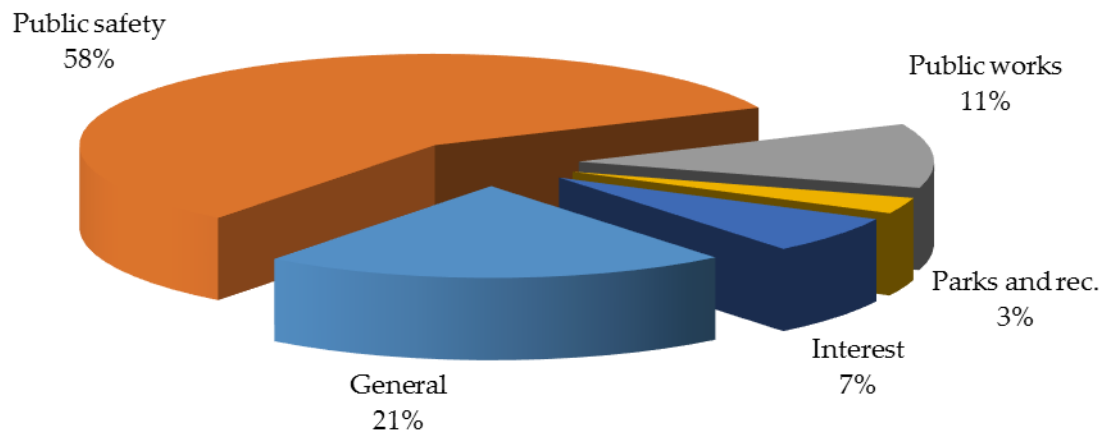
Governmental Activities - Revenues



For the year ended September 30, 2017, revenues from governmental activities totaled \$3,310,877. Property tax, charges for services, and sales tax are the City's largest revenue sources. Overall revenue decreased by \$82,725 or 2%. Oil and gas mineral revenue decreased by \$179,015 or 31% due to declining production. Property tax revenue increased by \$70,037 or 8% due to an increase in property values and a growing tax base. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



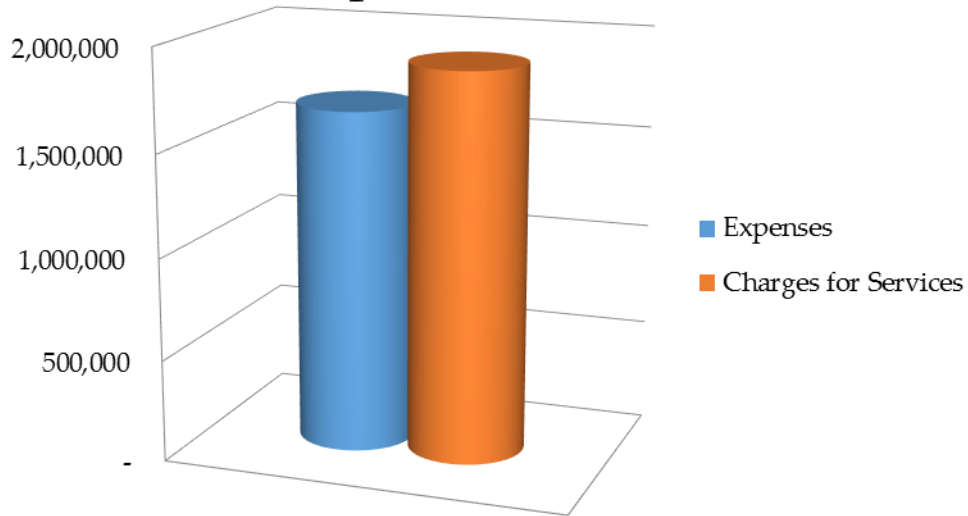
For the year ended September 30, 2017, expenses for governmental activities totaled \$3,669,652. This represents a decrease of \$573,072 or 14% from the prior year. The City's largest functional expense is public safety of \$2,123,033, which decreased by \$61,619 or 3%, which is relatively consistent with the prior year. General government expenses decreased by \$83,767 or 10% primarily due to the reduction in personnel

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2017

expenses and full time salaries. Public works expenditures decreased by \$583,753 or 58%, due to a reduction in personnel expenses and nonrecurring storm drainage maintenance in the prior year. All other expenditures remained relatively consistent with the previous year.

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

**Business-Type Activities - Revenues &
Expenses**



For the year ended September 30, 2017, charges for services and operating expenses for business-type activities remained relatively consistent. Charges for services totaled \$1,669,699. This is an increase of \$339,120, or 25%, from the previous year which is primarily due to an increase in water, sewer, and sanitation billing rates in the current year. Other revenues of \$226,939 primarily consists of a refund received from the City of Arlington for sewer treatment rate overcharges. Total operating expenses decreased by \$121,020 or 7% during the year as a result of decreased utilities, maintenance, and contract sewer treatment expenses.

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 \$570,701. Of this, \$6,453 is considered nonspendable due to prepaid assets. Unassigned fund balance totaled \$564,248 as of year-end.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2017

The debt service fund had an ending fund balance of \$85,711 at yearend for a decrease of \$22,713. Total principal and interest payments made during the year were \$70,000 and \$63,573, respectively.

The parks and recreation facility development fund reflected a total fund balance of \$537,672, an increase of \$112,807 from the prior year.

The capital projects fund had an ending fund balance of \$3,015,505, an increase of \$2,436,848 from the prior year. The increase is primarily attributed to the issuance of general obligation refunding and improvement bonds in the current year.

The crime control and prevention fund reflected a deficit fund balance of \$75,668, an improvement of \$30,152 from the previous year.

There was an overall increase in governmental fund balance of \$2,374,325 from the prior year. The increase was primarily related to the issuance of \$3,190,000 general obligation refunding and improvement bonds.

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 negative budget variance of \$114,855. The budget variance consists of a negative revenue variance of \$65,961 and a negative expenditure variance of \$50,130.

The City approved budget amendments during the current year. Final budgeted revenues increased by \$128,641 compared to the original budget. Final budgeted expenditures decreased by \$26,808 compared to the original budget.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$2,382,897 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 \$2,213,593 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Several road rehabilitation and replacement projects, totaling \$566,258 in capitalized infrastructure
- Purchase of a new meter equipment totaling \$52,809
- Infrastructure capital asset transfers of \$824,750, from governmental activities to the water, sewer, and sanitation fund.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2017

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, issuance premiums and leases outstanding of \$5,230,520. The City issued \$3,190,000 of new debt in the current year. The City refunded \$285,000 of Series 2006 general obligation refunding bonds. During the year, the City made payments on the long-term debt of \$146,377. 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 and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Dalworthington Gardens' 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 Administrator, 2600 Roosevelt Drive, Dalworthington Gardens, Texas 76016.

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FINANCIAL STATEMENTS

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City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION

September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,048,497	\$ 120,010	\$ 1,168,507
Restricted cash	3,006,193	-	3,006,193
Receivables, net	280,178	408,429	688,607
Prepays	7,825	2,252	10,077
Internal balances	395,479	(395,479)	-
Total Current Assets	4,738,172	135,212	4,873,384
Capital assets:			
Non-depreciable	300,421	109,201	409,622
Net depreciable capital assets	2,082,476	2,104,392	4,186,868
	2,382,897	2,213,593	4,596,490
Total Assets	7,121,069	2,348,805	9,469,874
<u>Deferred Outflows of Resources</u>			
Pension contributions	234,657	17,662	252,319
Pension investment earnings	195,525	14,717	210,242
Total Deferred Outflows of Resources	430,182	32,379	462,561
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	237,454	171,221	408,675
Unearned revenue	78,103	-	78,103
Accrued interest payable	37,924	-	37,924
Customer deposits	-	63,739	63,739
Long-term debt due within one year	262,135	4,031	266,166
Total Current Liabilities	615,616	238,991	854,607
Noncurrent liabilities:			
Due in more than one year	5,033,186	448	5,033,634
Net pension liability	2,690,470	202,508	2,892,978
	7,723,656	202,956	7,926,612
Total Liabilities	8,339,272	441,947	8,781,219
<u>Deferred Inflows of Resources</u>			
Pension (gains) losses	147,266	11,085	158,351
Total Deferred Inflows of Resources	147,266	11,085	158,351
<u>Net Position</u>			
Net investment in capital assets	158,570	2,213,593	2,372,163
Restricted	857,671	-	857,671
Unrestricted	(1,951,528)	(285,441)	(2,236,969)
Total Net Position	\$ (935,287)	\$ 1,928,152	\$ 992,865

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 779,597	\$ 198,685	\$ -
Public safety	2,123,033	533,399	-
Public works	416,975	-	-
Parks and recreation	105,100	-	-
Interest and fiscal charges	244,947	-	-
Total Governmental Activities	3,669,652	732,084	-
Business-Type Activities			
Water, Sewer, & Sanitation	1,669,094	1,669,699	-
Total Business-Type Activities	1,669,094	1,669,699	-
Total Primary Government	\$ 5,338,746	\$ 2,401,783	-

General Revenues:

Taxes

Property tax

Sales tax

Franchise and local taxes

Oil and gas mineral rights

Interest income

Other revenues

Transfers:

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
\$ (580,912)	\$ -	\$ (580,912)
(1,589,634)	-	(1,589,634)
(416,975)	-	(416,975)
(105,100)	-	(105,100)
(244,947)	-	(244,947)
<u>(2,937,568)</u>	<u>-</u>	<u>(2,937,568)</u>
-	605	605
<u>-</u>	<u>605</u>	<u>605</u>
<u>(2,937,568)</u>	<u>605</u>	<u>(2,936,963)</u>
927,715	-	927,715
772,811	-	772,811
365,243	-	365,243
397,197	-	397,197
6,747	174	6,921
109,080	226,939	336,019
(838,644)	838,644	-
<u>1,740,149</u>	<u>1,065,757</u>	<u>2,805,906</u>
(1,197,419)	1,066,362	(131,057)
262,132	861,790	1,123,922
<u>\$ (935,287)</u>	<u>\$ 1,928,152</u>	<u>\$ 992,865</u>

City of Dalworthington Gardens, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2017

	General	Parks and Recreation Facility Development	Capital Projects	Debt Service
<u>Assets</u>				
Cash and cash equivalents	\$ 446,118	\$ 420,199	\$ 12,984	\$ 85,711
Restricted cash	-	-	3,006,193	-
Receivables, net	208,038	30,801	-	11,776
Prepays	6,453	-	-	-
Due from other funds	267,106	100,763	-	-
Total Assets	<u><u>\$ 927,715</u></u>	<u><u>\$ 551,763</u></u>	<u><u>\$ 3,019,177</u></u>	<u><u>\$ 97,487</u></u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 218,098	\$ 14,091	\$ 3,672	\$ -
Unearned revenue	78,103	-	-	-
Due to other funds	10,243	-	-	-
Total Liabilities	<u>306,444</u>	<u>14,091</u>	<u>3,672</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	<u>50,570</u>	<u>-</u>	<u>-</u>	<u>11,776</u>
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	6,453	-	-	-
Restricted for:				
Parks and recreation	-	537,672	-	-
Special revenue	-	-	-	-
Capital improvements	-	-	3,015,505	-
Debt service fund	-	-	-	85,711
Unassigned reported in:				
General fund	564,248	-	-	-
Total Fund Balances	<u>570,701</u>	<u>537,672</u>	<u>3,015,505</u>	<u>85,711</u>
Total Liabilities, Deferred Inflows of Resources, and Fund	<u><u>\$ 927,715</u></u>	<u><u>\$ 551,763</u></u>	<u><u>\$ 3,019,177</u></u>	<u><u>\$ 97,487</u></u>

See Notes to Financial Statements.

Crime Control and Prevention	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 83,485	\$ 1,048,497
-	-	3,006,193
29,563	-	280,178
-	1,372	7,825
-	141,491	509,360
<u>\$ 29,563</u>	<u>\$ 226,348</u>	<u>\$ 4,852,053</u>

\$ 1,593	\$ -	\$ 237,454
-	-	78,103
103,638	-	113,881
<u>105,231</u>	<u>-</u>	<u>429,438</u>

<u>-</u>	<u>-</u>	<u>62,346</u>
----------	----------	---------------

-	1,372	7,825
-	-	537,672
-	224,976	224,976
-	-	3,015,505
-	-	85,711
(75,668)	-	488,580
<u>(75,668)</u>	<u>226,348</u>	<u>4,360,269</u>

<u>\$ 29,563</u>	<u>\$ 226,348</u>	<u>\$ 4,852,053</u>
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City of Dalworthington Gardens, Texas

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

September 30, 2017

Fund Balances - Total Governmental Funds	\$ 4,360,269
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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	300,421
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Capital assets - net depreciable	2,082,476
----------------------------------	-----------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property tax receivable	62,346
-------------------------	--------

Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.

Pension contributions	234,657
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Pension investment earnings	195,525
-----------------------------	---------

Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension (gains) losses	(147,266)
------------------------	-----------

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(37,924)
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Non-current liabilities due in one year	(262,135)
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Non-current liabilities due in more than one year	(5,033,186)
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Net pension liability	(2,690,470)
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Net Position of Governmental Activities	\$ (935,287)
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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, 2017

	General	Parks and Recreation Facility Development	Capital Projects	Debt Service
<u>Revenues</u>				
Property tax	\$ 799,279	\$ -	\$ -	\$ 120,586
Sales tax	390,529	194,895	-	-
Franchise and local taxes	365,243	-	-	-
License and permits	198,685	-	-	-
Fines and forfeitures	508,338	-	-	-
Oil and gas mineral rights	397,197	-	-	-
Interest income	321	233	6,193	-
Other revenues	103,907	2,667	-	-
Total Revenues	2,763,499	197,795	6,193	120,586
<u>Expenditures</u>				
Current:				
General government	760,351	-	-	-
Public safety	1,788,191	-	-	-
Public works	281,977	-	3,435	-
Parks and recreation	-	84,988	-	-
Capital outlay	-	-	574,795	-
Debt Service:				
Principal	76,377	-	-	70,000
Interest and fiscal charges	7,545	-	-	63,573
Bond issuance costs	-	-	130,799	14,635
Total Expenditures	2,914,441	84,988	709,029	148,208
Excess of Revenues				
Over (Under) Expenditures	(150,942)	112,807	(702,836)	(27,622)
<u>Other Financing Sources (Uses)</u>				
Proceeds from bond issuance	-	-	2,935,583	254,417
Bond premium	-	-	204,101	17,689
Payment to refunding bond escrow agent	-	-	-	(291,698)
Transfers (out)	(38,395)	-	-	(13,894)
Transfers in	1,236	-	-	38,395
Total Other Financing (Sources)	(37,159)	-	3,139,684	4,909
Net Change in Fund Balances	(188,101)	112,807	2,436,848	(22,713)
Beginning fund balances	758,802	424,865	578,657	108,424
Ending Fund Balances	\$ 570,701	\$ 537,672	\$ 3,015,505	\$ 85,711

See Notes to Financial Statements.

Crime Control and Prevention	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 919,865
187,387	-	772,811
-	-	365,243
-	-	198,685
-	25,061	533,399
-	-	397,197
-	-	6,747
-	2,506	109,080
<u>187,387</u>	<u>27,567</u>	<u>3,303,027</u>
-	-	760,351
155,999	22,235	1,966,425
-	-	285,412
-	-	84,988
-	-	574,795
-	-	146,377
-	-	71,118
-	-	145,434
<u>155,999</u>	<u>22,235</u>	<u>4,034,900</u>
31,388	5,332	(731,873)
-	-	3,190,000
-	-	221,790
-	-	(291,698)
(1,236)	-	(53,525)
-	-	39,631
<u>(1,236)</u>	<u>-</u>	<u>3,106,198</u>
30,152	5,332	2,374,325
(105,820)	221,016	1,985,944
<u>\$ (75,668)</u>	<u>\$ 226,348</u>	<u>\$ 4,360,269</u>

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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, 2017

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

Net changes in fund balances - total governmental funds	\$ 2,374,325
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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.

Capital outlay	584,604
Depreciation expense	(281,274)
Capital assets transferred to proprietary fund	(824,750)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,850
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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.

Compensated absences	(16,449)
Accrued interest	(25,732)
Pension expense	(39,615)

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 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.

Principal payments	146,377
Proceeds from bond issuance	(3,190,000)
Bond premium	(221,790)
Current year refunding	285,000
Amortization of premium	4,035

Change in Net Position of Governmental Activities	\$ (1,197,419)
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See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2017

	<u>Water, Sewer & Sanitation</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 120,010
Receivables, net	408,429
Prepaid expenses	2,252
Total Current Assets	<u>530,691</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	109,201
Net depreciable capital assets	2,104,392
Total Noncurrent Assets	<u>2,213,593</u>
Total Assets	<u>2,744,284</u>
<u>Deferred Outflows of Resources</u>	
Pension contributions	17,662
Pension investment earnings	14,717
Total Deferred Outflows of Resources	<u>32,379</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	171,221
Customer deposits	63,739
Due to other funds	395,479
Long-term debt due within one year	4,031
Total Current Liabilities	<u>634,470</u>
<u>Noncurrent Liabilities</u>	
Due in more than one year	448
Net pension liability	202,508
Total Liabilities	<u>837,426</u>
<u>Deferred Inflows of Resources</u>	
Pension (gains) losses	11,085
Total Deferred Inflows of Resources	<u>11,085</u>
<u>Net Position</u>	
Net investment in capital assets	2,213,593
Unrestricted	(285,441)
Total Net Position	<u>\$ 1,928,152</u>

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2017

	<u>Water, Sewer & Sanitation</u>
<u>Operating Revenues</u>	
Water sales	\$ 964,795
Sewer revenue	535,490
Refuse collection	169,414
Other revenue	226,939
Total Operating Revenues	<u>1,896,638</u>
<u>Operating Expenses</u>	
Cost of water	645,190
Personnel	285,216
Material and supplies	105,329
Contracted services	484,396
Depreciation	148,963
Total Operating Expenses	<u>1,669,094</u>
Operating Income (Loss)	<u>227,544</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	174
Total Nonoperating Revenues (Expenses)	<u>174</u>
Income (Loss) Before Transfers	227,718
Transfers in	838,644
Change in Net Position	1,066,362
Beginning net position	861,790
Ending Net Position	<u><u>\$ 1,928,152</u></u>

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 1 of 2) For the Year Ended September 30, 2017

	<u>Water, Sewer & Sanitation</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 1,653,220
Payments to suppliers and contractors	(1,547,351)
Payments to employees	(282,288)
Net Cash Provided (Used) by Operating Activities	<u>(176,419)</u>
<u>Cash Flows from Capital and Financing Activities</u>	
Purchase of capital assets	(52,809)
Net Cash Provided (Used) by Capital Financing Activities	<u>(52,809)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers in	13,894
Net Cash Provided (Used) by Noncapital Financing Activities	<u>13,894</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	174
Net Cash Provided by Investing Activities	<u>174</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(215,160)
Beginning cash and cash equivalents	335,170
Ending Cash and Cash Equivalents	<u><u>\$ 120,010</u></u>

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2017

	<u>Water, Sewer & Sanitation</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 227,544
Adjustments to reconcile operating income to net cash used:	
Depreciation	148,963
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(237,003)
Prepaid expenses	(2,252)
Customer deposits	(6,415)
Compensated absences	(53)
Deferred Outflows of Resources:	
Pension contributions	378
Investment experience	5,190
Increase (Decrease) in:	
Accounts payable and accrued liabilities	26,148
Net pension liability	(3,210)
Deferred Inflows of Resources:	
Actual experience vs. assumption	623
Due to other funds	(336,332)
Net Cash Provided (Used) by Operating Activities	\$ (176,419)
 <u>Schedule of Non-Cash Capital and Related Financing Activities</u>	
Capital assets transferred from governmental activities	\$ 824,750

See Notes to Financial Statements.

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City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dalworthington Gardens, Texas, 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 a 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 is 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 board is substantially the same as the City’s governing City Council.

The Dalworthington Gardens Crime Control and Prevention 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 and is reported as a special revenue fund as if it were part of the primary government.

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;

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

- 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: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets**—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 "net investment in capital assets."

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 with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients for 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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The government reports the following major 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.

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.

Capital Projects Fund

The capital projects fund accounts for the acquisition and construction of the government's major capital projects, other than those financed by proprietary funds.

Parks and Recreation Facilities Development Corporation

This Corporation was created to implement the General Park Facilities Development Plan. This shall be done in coordination with the necessary contracting parties to research, develop, prepare, finance, and implement this plan. The primary source of revenues for this fund is sales taxes.

Crime Control and Prevention District

This District was created to fund programs designed to prevent and reduce crime. The primary source of revenues for this fund is sales taxes.

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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 and sewer distribution systems, 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.

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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
- Fully collateralized repurchase and reverse repurchase agreements
- Fully collateralized flex repurchase agreements

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. 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.

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

4. 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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. 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.

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.

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

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

8. 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.

9. 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.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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 (City 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 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.

10. 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.

11. 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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

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 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.

12. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. 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.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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 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, parks and recreation facility development, crime control and prevention. 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 transferred or added to a budgeted item without Council approval. The budgeted revenues and expenditures for the general fund were amended during the current fiscal year. The final budgeted revenues were increased by \$128,641 compared to the original budget. The final budgeted expenditures were decreased by \$26,808 compared to the original budget. Appropriations lapse at the end of the year.

A. Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:

Public safety	\$44,598
Principal	\$76,377
Interest	\$7,545

Debt Service Fund

Bond issuance costs	\$14,635
Transfers (out)	\$13,894
Payment to refunding bond escrow agent	\$291,698

The City has implemented procedures to ensure budgetary compliance. No expenditure can be made unless there is a budget available or an approved budget amendment has been submitted. Department head and management will review the budget variances on a regular basis and the budget will be amended if necessary.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

B. Deficit Fund Equity

At September 30, 2017, the Crime Control and Prevention District, a nonmajor fund, has a deficit fund balance of \$75,668. The deficit will be eliminated in the future with sales tax revenue that is received through the District.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.D.1., 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. The City's investments in 2a7-like pools such as TexStar are included in this category. Although the City's investments in TexStar are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required. The City had the following deposits considered to be cash and cash equivalents at year end:

Investment Type	Fair Value	Weighted Average Maturity Days
TexStar	3,006,559	27
Total fair value	<u>\$ 3,006,559</u>	

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, 2017, 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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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, 2017, the market values of pledged securities and FDIC exceeded bank balances.

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, 2017

B. Receivables

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

	General	Parks and Recreation Facility Development	Debt Service	Crime Control and Prevention	Water, Sewer & Sanitation	Total
Taxes						
Property taxes	\$ 50,570	\$ -	\$ 11,776	\$ -	\$ -	\$ 62,346
Sales taxes	62,591	30,801	-	29,563	-	122,955
Franchise tax	11,543	-	-	-	-	11,543
Oil and gas	58,111	-	-	-	-	58,111
Accounts	25,223	-	-	-	482,752	507,975
Allowance	-	-	-	-	(74,323)	(74,323)
Total	\$ 208,038	\$ 30,801	\$ 11,776	\$ 29,563	\$ 408,429	\$ 688,607

C. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2017 were as follows:

Receivable Fund	Payable Fund	Amount
General	Water, Sewer & Sanitation	\$ 267,106
Parks and Recreation Facility Development	Crime Control & Prevention	100,763
Municipal Court Security	Crime Control & Prevention	2,875
Municipal Court Security	Water, Sewer & Sanitation	32,697
Public Safety Seizures	Water, Sewer & Sanitation	5,721
Municipal Court Automation	Water, Sewer & Sanitation	89,955
Municipal Court Automation	General	10,243
		<u>509,360</u>

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

Transfers between the primary government funds during the current fiscal year were as follows:

Transfer In	Transfer Out	Amount
Debt Service	General	\$ 38,395
General	Crime Control & Prevention	1,236
Water, Sewer & Sanitation	Capital projects	824,750 *
Water, Sewer & Sanitation	Debt Service	13,894
		<u>878,275</u>

* Represents transfer of capital assets between funds

D. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 291,438	\$ -	\$ -	\$ 291,438
Construction in progress	310,372	575,320	(876,709)	8,983
Total capital assets not being depreciated	<u>601,810</u>	<u>575,320</u>	<u>(876,709)</u>	<u>300,421</u>
Capital assets, being depreciated:				
Buildings and improvements	623,069	-	-	623,069
Vehicles and equipment	2,164,263	3,000	(22,381)	2,144,882
Infrastructure	3,677,178	6,284	51,959	3,735,421
Total capital assets being depreciated	<u>6,464,510</u>	<u>9,284</u>	<u>29,578</u>	<u>6,503,372</u>
Less accumulated depreciation				
Buildings and improvements	408,839	16,373	-	425,212
Vehicles and equipment	1,710,032	122,214	(22,381)	1,809,865
Infrastructure	2,043,132	142,687	-	2,185,819
Total accumulated depreciation	<u>4,162,003</u>	<u>281,274</u>	<u>(22,381)</u>	<u>4,420,896</u>
Net capital assets being depreciated	<u>2,302,507</u>	<u>(271,990)</u>	<u>51,959</u>	<u>2,082,476</u>
Total capital assets	<u>\$ 2,904,317</u>	<u>\$ 303,330</u>	<u>\$ (824,750)</u>	<u>\$ 2,382,897</u>

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

Depreciation was charged to governmental functions as follows:

General government	\$ 8,734
Public safety	118,761
Public works	133,667
Parks and recreation	20,112
Total Governmental Activities Depreciation Expense	\$ 281,274

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	4,607,787	52,809	824,750	5,485,346
Vehicles and equipment	379,131	-	(72,570)	306,561
Total capital assets being depreciated	4,988,036	52,809	752,180	5,793,025
Less accumulated depreciation				
Buildings and improvements	1,118	-	-	1,118
Water and sewer system	3,272,827	130,915	-	3,403,742
Vehicles and equipment	338,295	18,048	(72,570)	283,773
Total accumulated depreciation	3,612,240	148,963	(72,570)	3,688,633
Net capital assets being depreciated	1,375,796	(96,154)	824,750	2,104,392
Total capital assets	\$ 1,484,997	\$ (96,154)	\$ 824,750	\$ 2,213,593

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

E. 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.

	Beginning Balance	Additions	Reductions/ Refunding	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds	\$ 285,000	\$ -	\$ (285,000)	\$ -	\$ -
Combination Tax and Revenue Certificate of Obligation	1,660,000	-	(70,000)	1,590,000	55,000
General Obligation Refunding & Improvement Bonds	-	2,905,000	285,000	3,190,000	70,000
Deferred amounts:					
For issuance premiums	72,622	221,790	(4,035)	290,377	-
	<u>2,017,622</u>	<u>3,126,790</u>	<u>(74,035)</u>	<u>5,070,377</u>	<u>125,000</u>
Other liabilities:					
Capital lease	236,520	-	(76,377)	160,143	78,814
Compensated absences	48,352	70,224	(53,775)	64,801	58,321
Total Governmental Activities	<u>\$ 2,302,494</u>	<u>\$ 3,197,014</u>	<u>\$ (204,187)</u>	<u>\$ 5,295,321</u>	<u>\$ 262,135</u>
Long-term liabilities due in more than one year				<u>\$ 5,033,186</u>	
Business-Type Activities:					
Other liabilities:					
Compensated absences	\$ 4,532	\$ 9,321	\$ (9,374)	\$ 4,479	\$ 4,031
Total Business-Type Activities	<u>\$ 4,532</u>	<u>\$ 9,321</u>	<u>\$ (9,374)</u>	<u>\$ 4,479</u>	<u>\$ 4,031</u>
Long-term liabilities due in more than one year				<u>\$ 448</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.

The City issued \$3,190,000 of General Obligation Refunding Improvement bonds in July 2017. The bonds bear interest ranging from 2% to 4.25%. Principal payments are due annually through 2042. Interest is due semi-annually on February 1 and August 1. Principal payments are due annually on February 1.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

	Governmental Activities	Business - Type Activities	Total
General Obligation Bonds:			
\$3,190,000 Refunding & Improvement Bond, Series 2017, due in installments through 2042, interest at 2-4.25%	\$ 3,190,000	\$ -	\$ 3,190,000
Total General Obligation bonds	\$ 3,190,000	\$ -	\$ 3,190,000
Certificates of Obligation:			
\$1,755,000 Certificates of Obligation, Series 2014, due in annual installments through 2034, interest at 2-4%	\$ 1,590,000	\$ -	\$ 1,590,000
Total Certificates of Obligation	\$ 1,590,000	\$ -	\$ 1,590,000
Deferred amounts:			
Issuance premium	\$ 290,377	\$ -	\$ 290,377
Total Deferred Amounts	\$ 290,377	\$ -	\$ 290,377
Capital lease	160,143	-	160,143
Compensated absences	64,801	4,479	69,280
Total Debt	\$ 5,295,321	\$ 4,479	\$ 5,299,800

Total capital assets acquired through capital leases had balances as of September 30, 2017 for cost, accumulated depreciation, and carrying value of \$394,458, \$169,053, and \$225,405, respectively. Depreciation expense recognized on these assets during the year ended September 30, 2017 was \$56,351.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

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

Year ending September 30,	General Obligation		2014 C.O. Bond		Capital Lease	
	Refunding Bond					
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 70,000	\$ 121,382	\$ 55,000	\$ 55,475	\$ 78,814	\$ 5,109
2019	75,000	116,012	55,000	54,375	81,329	2,594
2020	80,000	114,762	55,000	53,275	-	-
2021	80,000	113,162	60,000	51,625	-	-
2022	80,000	111,562	60,000	49,825	-	-
2023	85,000	109,912	60,000	48,025	-	-
2024	85,000	107,787	60,000	46,225	-	-
2025	50,000	105,762	100,000	44,125	-	-
2026	50,000	104,262	105,000	40,625	-	-
2027	55,000	102,412	105,000	36,950	-	-
2028	55,000	100,212	110,000	33,275	-	-
2029	60,000	97,912	115,000	29,425	-	-
2030	60,000	95,512	120,000	25,400	-	-
2031	60,000	93,112	125,000	21,200	-	-
2032	65,000	90,612	130,000	16,200	-	-
2033	65,000	88,012	135,000	11,000	-	-
2034	70,000	85,312	140,000	5,600	-	-
2035	220,000	79,512	-	-	-	-
2036	230,000	70,512	-	-	-	-
2037	240,000	61,112	-	-	-	-
2038	250,000	51,312	-	-	-	-
2039	260,000	41,112	-	-	-	-
2040	270,000	30,175	-	-	-	-
2041	280,000	18,487	-	-	-	-
2042	295,000	6,269	-	-	-	-
	<u>\$ 3,190,000</u>	<u>\$ 2,116,190</u>	<u>\$ 1,590,000</u>	<u>\$ 622,625</u>	<u>\$ 160,143</u>	<u>\$ 7,703</u>

Certificate of Obligation Bond, Series 2014; due in annual installments through August 1, 2034, bearing interest ranging from 2% to 4% payable February 1 and August 1.

General Obligation Bond, Series 2017; due in semi-annual installments through February 1, 2042, bearing interest ranging from 2.0% to 4.25% payable February 1 and August 1.

On July 11, 2017, the City issued \$3,190,000 in general obligation refunding bonds with an interest rate of 2.0% - 4.25%. \$272,106 of the proceeds plus additional City cash of \$31,698 were used to advance refund \$285,000 of outstanding 2006 general obligation bonds and \$6,698 accrued interest, which had an interest rate ranging from 4.7% to 10%. The net

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

proceeds of the refunding portion of \$291,698 (after payment of \$11,336 in underwriting fees and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the obligations are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price was equal to the the net carrying amount of the old debt plus accrued interest, therefore no deferred gain or loss was recorded for the transaction. This advance refunding reduced its total debt service payments by \$115,548 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$107,810.

Fund Equity

The City records fund balance/net position 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/net position restricted by law or the City:

	Restricted
Parks and recreation	\$ 537,672
Municipal court security	45,120 *
Municipal court automation	152,111 *
Park donations	19,693
Public safety seizures	8,052 *
Debt service	85,711
Capital improvements	3,015,505
Total	\$ 3,863,864

* Restricted by enabling legislation

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 over 2,800 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.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

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.

D. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Dalworthington Gardens, Texas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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 2016</u>	<u>Plan Year 2015</u>
Employee deposit rate	7%	7%
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%	100%
Annuity increase (to retirees)	70% of CPI	70% of CPI

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

	2016	2015
Inactive employees or beneficiaries currently receiving benefits	9	6
Inactive employees entitled to but not yet receiving benefits	22	21
Active employees	28	24
Total	59	51

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Dalworthington Gardens, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Dalworthington Gardens, Texas were 21.95% and 22.01% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$350,145 and were equal to the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2017

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 4,301,259	\$ 2,892,978	\$ 1,773,957

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/15	\$ 7,801,214	\$ 4,862,391	\$ 2,938,823
Changes for the year:			
Service cost	282,630	-	282,630
Interest	525,093	-	525,093
Difference between expected and actual experience	(60,072)	-	(60,072)
Changes of assumptions	-	-	-
Contributions – employer	-	355,310	(355,310)
Contributions – employee	-	113,311	(113,311)
Net investment income	-	328,786	(328,786)
Benefit payments, including refunds of emp. contributions	(326,752)	(326,752)	-
Administrative expense	-	(3,711)	3,711
Other changes	-	(200)	200
Net changes	420,899	466,744	(45,845)
Balance at 12/31/16	\$ 8,222,113	\$ 5,329,135	\$ 2,892,978

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$392,506.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and investment earnings	\$ 210,242	\$ -
Differences between expected and actual economic experience	-	(158,351)
Contributions subsequent to the measurement date	252,319	-
Total	\$ 462,561	\$ (158,351)

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

The City reported \$252,319 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year	
ended December 31:	
2017	\$ 22,393
2018	22,395
2019	21,663
2020	(14,560)
2021	-
Thereafter	-
Total	\$ 51,891

Supplemental Death Benefits Fund

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 offers supplemental death to:	Plan Year 2016	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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 contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$318, \$314 and \$258, respectively, which equaled the required contributions each year.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2017

Schedule of Contribution Rates

(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2015	0.02%	0.02%	100.0%
2016	0.02%	0.02%	100.0%
2017	0.02%	0.02%	100.0%

E. Restatement

The City restated the beginning net position of governmental activities and business-type activities, as well as the beginning fund balance for the general fund and capital projects fund due to accounting errors occurring in the prior year. The City has restated net positions and fund balances as follows:

	Governmental Activities	General Fund	Capital Projects
Prior year ending net position/ fund balance as reported	\$ 195,495	\$ 652,037	\$ 625,197
To move Hemingford project to general fund	-	46,540	(46,540)
To correct accrued liabilities	59,754	53,342	-
To record O&G receivable	78,277	78,277	-
To record unearned franchise taxes	(71,394)	(71,394)	-
Restated beginning net position/fund balance	<u>\$ 262,132</u>	<u>\$ 758,802</u>	<u>\$ 578,657</u>

	Business-Type Activities	Water, Sewer & Sanitation
Prior year ending net position/ fund balance as reported	\$ 748,161	\$ 748,161
To record interconnect pipeline asset	113,629	113,629
Restated beginning net position/fund balance	<u>\$ 861,790</u>	<u>\$ 861,790</u>

F. Subsequent Events

There were no material subsequent events through February 26, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2017

	Original Budget	Final Budget	General	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 841,095	\$ 804,863	\$ 799,279	\$ (5,584)
Sales tax	380,000	380,000	390,529	10,529
Franchise and local taxes	406,800	410,700	365,243	(45,457)
License and permits	161,624	173,774	198,685	24,911
Municipal court	627,300	627,300	508,338	(118,962)
Oil and gas mineral rights	250,000	250,000	397,197	147,197
Interest income	1,500	1,500	321	(1,179)
Other revenues	32,500	181,323	103,907	(77,416)
Total Revenues	2,700,819	2,829,460	2,763,499	(65,961)
<u>Expenditures</u>				
Current:				
General government	825,540	798,732	760,351	38,381
Public safety	1,743,593	1,743,593	1,788,191	(44,598) *
Public works	321,986	321,986	281,977	40,009
Debt service				
Principal	-	-	76,377	(76,377) *
Interest and fiscal charges	-	-	7,545	(7,545) *
Total Expenditures	2,891,119	2,864,311	2,914,441	(50,130)
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	1,236	(1,236)
Transfers (out)	(38,395)	(38,395)	(38,395)	-
Total Other Financing Sources (Uses)	(38,395)	(38,395)	(37,159)	(1,236)
Net Change in Fund Balance	\$ (228,695)	\$ (73,246)	(188,101)	\$ (114,855)
Beginning fund balance			758,802	
Ending Fund Balance			\$ 570,701	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARKS AND RECREATION FACILITY DEVELOPMENT FUND
For the Year Ended September 30, 2017

	Original and Final Budget	Parks and Recreation Facility Development	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Sales tax	\$ 190,000	\$ 194,895	\$ 4,895
Other revenues	-	2,667	2,667
Interest income	150	233	83
Total Revenues	190,150	197,795	7,645
<u>Expenditures</u>			
Current:			
Parks and recreation	406,510	84,988	321,522
Total Expenditures	406,510	84,988	321,522
Revenues Over (Under)	(216,360)	112,807	329,167
Net Change in Fund Balance	\$ (216,360)	112,807	\$ 329,167
Beginning fund balance		424,865	
Ending Fund Balance		\$ 537,672	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CRIME CONTROL AND PREVENTION DISTRICT
For the Year Ended September 30, 2017

	Original and Final Budget	Crime Control and Prevention	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Sales tax	\$ 178,000	\$ 187,387	\$ 9,387
Interest income	250	-	(250)
Total Revenues	178,250	187,387	9,137
<u>Expenditures</u>			
Current:			
Public safety	178,250	155,999	22,251
Total Expenditures	178,250	155,999	22,251
Revenues Over (Under) Expenditures	-	31,388	31,388
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	-	(1,236)	(1,236) *
Total Other Financing (Sources)	-	(1,236)	(1,236)
Net Change in Fund Balance	\$ -	30,152	\$ 30,152
Beginning fund balance		(105,820)	
Ending Fund Balance		\$ (75,668)	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles
2. *Expenditures exceeded appropriations at the legal level of control.

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31,

	12/31/2016	12/31/2015	12/31/2014 ¹
Total pension liability			
Service cost	\$ 282,630	\$ 277,028	\$ 265,704
Interest	525,093	513,667	481,756
Differences between expected and actual experience	(60,072)	(94,934)	(136,520)
Changes of assumptions	-	18,672	-
Benefit payments, including refunds of participant contributions	(326,752)	(225,598)	(95,888)
Net change in total pension liability	420,899	488,835	515,052
Total pension liability - beginning	7,801,214	7,312,379	6,797,327
Total pension liability - ending (a)	8,222,113	7,801,214	7,312,379
Plan fiduciary net position			
Contributions - employer	\$ 355,310	\$ 354,059	\$ 325,816
Contributions - members	113,311	110,496	107,327
Net investment income	328,786	6,820	232,020
Benefit payments, including refunds of participant contributions	(326,752)	(225,598)	(95,888)
Administrative expenses	(3,711)	(4,153)	(2,421)
Other	(200)	(205)	(199)
Net change in plan fiduciary net position	466,744	241,419	566,655
Plan fiduciary net position - beginning	4,862,391	4,620,972	4,054,317
Plan fiduciary net position - ending (b)	\$ 5,329,135	\$ 4,862,391	\$ 4,620,972
Fund's net pension liability (asset) - ending (a) - (b)	\$ 2,892,978	\$ 2,938,823	\$ 2,691,407
 Plan fiduciary net position as a percentage of the	 64.81%	 62.33%	 63.19%
 Covered employee payroll	 \$ 1,618,726	 \$ 1,578,510	 \$ 1,516,714
 Fund's net position as a percentage of covered	 178.72%	 186.18%	 177.45%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Dalworthington Gardens, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

For the Years Ended:

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially determined employer contributions	\$ 350,145	\$ 346,656	\$ 334,267
Contributions in relation to the			
actuarially determined contribution	<u>\$ 350,145</u>	<u>\$ 346,656</u>	<u>\$ 334,267</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered employee payroll	\$ 1,592,059	\$ 1,569,560	\$ 1,514,074
Employer contributions as a			
percentage of covered employee payroll	21.99%	22.09%	22.08%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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OTHER SUPPLEMENTARY INFORMATION

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City of Dalworthington Gardens, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2017

	Original and Final Budget	Debt Service	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 126,875	\$ 120,586	\$ (6,289)
Total Revenues	<u>126,875</u>	<u>120,586</u>	<u>(6,289)</u>
<u>Expenditures</u>			
Current:			
Debt service			
Principal	95,000	70,000	25,000
Interest and fiscal charges	70,270	63,573	6,697
Bond issuance costs	-	14,635	(14,635) *
Total Expenditures	<u>165,270</u>	<u>148,208</u>	<u>17,062</u>
Revenues Over (Under) Expenditures	<u>(38,395)</u>	<u>(27,622)</u>	<u>10,773</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	38,395	38,395	-
Transfers (out)	-	(13,894)	(13,894) *
Payment to refunding bond escrow agent	-	(291,698)	(291,698) *
Proceeds from bond issuance	-	254,417	254,417
Bond premium	-	17,689	17,689
Total Other Financing Sources	<u>38,395</u>	<u>4,909</u>	<u>(33,486)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(22,713)</u>	<u>\$ (22,713)</u>
Beginning fund balance		108,424	
Ending Fund Balance		<u>\$ 85,711</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles
2. *Expenditures exceeded appropriations at the legal level of control.

See Notes to Financial Statements.

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

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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.

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, 2017

	Municipal Court Security	Municipal Court Automation	Park Donations	Public Safety Seizures
<u>Assets</u>				
Cash and cash equivalents	\$ 9,548	\$ 51,913	\$ 19,693	\$ 2,331
Prepaid expenses	-	1,372	-	-
Due from other funds	35,572	100,198	-	5,721
Total Assets	\$ 45,120	\$ 153,483	\$ 19,693	\$ 8,052
<u>Liabilities</u>				
Accounts payable and accrued liabilities	-	-	-	-
Total Liabilities	-	-	-	-
<u>Fund Balances</u>				
Nonspendable	-	1,372	-	-
Restricted	45,120	152,111	19,693	8,052
Total Fund Balances	45,120	153,483	19,693	8,052
Total Liabilities and Fund Balances	\$ 45,120	\$ 153,483	\$ 19,693	\$ 8,052

Total	
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\$	83,485
	1,372
	141,491
<hr/>	
\$	226,348
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	-
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	-
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	1,372
	224,976
<hr/>	
	226,348
<hr/>	
\$	226,348
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City of Dalworthington Gardens, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	Municipal Court Security	Municipal Court Automation	Park Donations	Public Safety Seizures
<u>Revenues</u>				
Fines and forfeitures	\$ 10,361	\$ 13,819	\$ 881	\$ -
Other Income	-	-	-	2,506
Total Revenues	10,361	13,819	881	2,506
<u>Expenditures</u>				
Public safety	6,868	10,502	-	4,865
Total Expenditures	6,868	10,502	-	4,865
Net Change in Fund Balances	3,493	3,317	881	(2,359)
Beginning fund balances	41,627	150,166	18,812	10,411
Ending Fund Balances	\$ 45,120	\$ 153,483	\$ 19,693	\$ 8,052

Total	
<hr/>	
\$	25,061
	2,506
	<hr/>
	27,567
	<hr/>
	22,235
	<hr/>
	22,235
	<hr/>
	5,332
	221,016
	<hr/>
\$	226,348
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