

2018

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2018



2600 Roosevelt Drive | Dalworthington Gardens, TX 76016
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ANNUAL FINANCIAL REPORT

of the

City of Dalworthington Gardens, Texas

**For the Year Ended
September 30, 2018**

City of Dalworthington Gardens, Texas

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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, 2018, 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, 2018 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 due to the adoption of the newly effective accounting standard GASB 75 as it relates to the OPEB liability for the City. 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, pension plan information, and OPEB liability information schedules 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 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
March 19, 2019

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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, 2018

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, 2018. 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 \$1,561,118 at September 30, 2018. Of this, the unrestricted net position was negative \$2,104,626.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,873,432, a decrease of \$486,837.
- As of the end of the year, the unassigned fund balance of the general fund was \$502,075 or 17% of total general fund expenditures.
- The City had an overall increase in net position of \$629,220.
- The City closed the year with a net pension liability of \$2,546,645.

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

City of Dalworthington Gardens, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2018

are reported for 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, and debt service 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, 2018

The City adopts an annual appropriated budget for its general, debt service, and parks and recreation facility development fund. A budgetary comparison statement has been provided for the general fund and major special revenue funds to demonstrate compliance with their respective budgets.

Proprietary Funds

The City has 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, 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, and the parks & 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, and the OPEB liability schedules. 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 exceeded liabilities by \$1,561,118 as of September 30, 2018, in the primary government.

The largest portion of the City's net position, \$2,936,693, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2018

The following table reflects the condensed Statement of Net Position:

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and						
other assets	\$ 4,185,099	\$ 382,718	\$ 4,567,817	\$ 4,342,693	\$ 530,691	\$ 4,873,384
Capital assets, net	3,128,117	2,266,376	5,394,493	2,382,897	2,213,593	4,596,490
Internal balances	177,258	(177,258)	-	395,479	(395,479)	-
Total Assets	7,490,474	2,471,836	9,962,310	7,121,069	2,348,805	9,469,874
Deferred Outflows of Resources	207,534	36,623	244,157	430,378	32,414	462,792
Other liabilities	747,655	167,860	915,515	615,616	238,991	854,607
Long-term liabilities	7,082,826	393,659	7,476,485	7,775,674	212,136	7,987,810
Total Liabilities	7,830,481	561,519	8,392,000	8,391,290	451,127	8,842,417
Deferred Inflows of Resources	211,195	42,154	253,349	147,266	11,085	158,351
Net Position:						
Net investment in						
capital assets	670,317	2,266,376	2,936,693	158,570	2,213,593	2,372,163
Restricted	729,051	-	729,051	857,671	-	857,671
Unrestricted	(1,743,036)	(361,590)	(2,104,626)	(2,003,350)	(294,586)	(2,297,936)
Total Net Position	\$ (343,668)	\$ 1,904,786	\$ 1,561,118	\$ (987,109)	\$ 1,919,007	\$ 931,898

Current and other assets for governmental activities decreased by \$157,594. This decrease was primarily due to cash spent on capital projects in the current year.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2018

Statement of Activities:

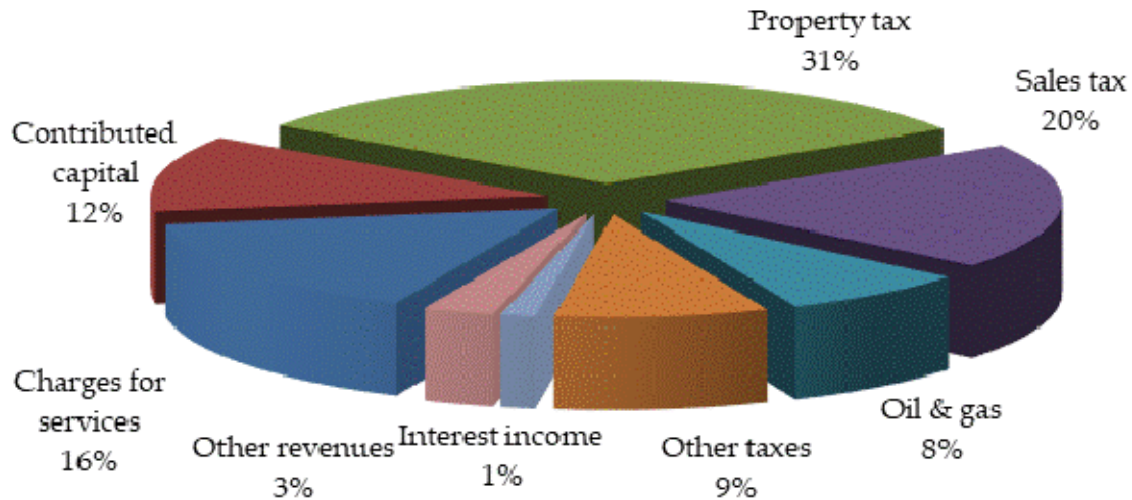
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2018			For the Year Ended September 30, 2017		
	Governmental Activities	Business-Type Activities	Primary Government	Governmental Activities	Business-Type Activities	Primary Governmer
Revenues						
Program revenues:						
Charges for services	\$ 630,129	\$ 1,752,416	\$ 2,382,545	\$ 732,084	\$ 1,669,699	\$ 2,401,783
Grants and capital contributions	477,253	-	477,253	-	-	-
General revenues:						
Property tax	1,252,733	-	1,252,733	927,715	-	927,715
Sales tax	790,310	-	790,310	772,811	-	772,811
Other taxes	345,480	-	345,480	365,243	-	365,243
O&G revenue	306,034	-	306,034	397,197	-	397,197
Interest income	55,662	2,401	58,063	6,747	174	6,921
Other revenues	115,035	42,967	158,002	109,080	226,939	336,019
Total Revenues	3,972,636	1,797,784	5,770,420	3,310,877	1,896,812	5,207,689
Expenses						
General	640,615	-	640,615	779,597	-	779,597
Public safety	2,029,994	-	2,029,994	2,123,033	-	2,123,033
Public works	360,568	-	360,568	416,975	-	416,975
Parks and recreation	189,202	-	189,202	105,100	-	105,100
Interest	165,508	2,156	167,664	244,947	-	244,947
Utilities	-	1,753,158	1,753,158	-	1,669,094	1,669,094
Total Expenses	3,385,886	1,755,314	5,141,200	3,669,652	1,669,094	5,338,746
Change in Net Position						
Before Transfers	586,750	42,470	629,220	(358,775)	227,718	(131,057)
Transfers	56,691	(56,691)	-	(838,644)	838,644	-
Total	56,691	(56,691)	-	(838,644)	838,644	-
Change in Net Position	643,441	(14,221)	629,220	(1,197,419)	1,066,362	(131,057)
Beginning Net Position	(987,109)	1,919,007	931,898	210,310	852,645	1,062,955
Ending Net Position	\$ (343,668)	\$ 1,904,786	\$ 1,561,118	\$ (987,109)	\$ 1,919,007	\$ 931,898

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2018

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

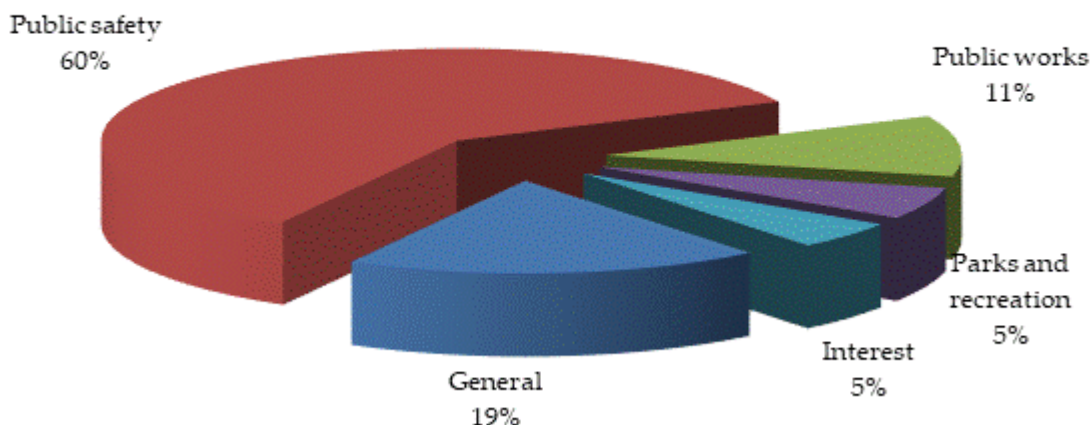
Governmental Activities - Revenues



For the year ended September 30, 2018, revenues from governmental activities totaled \$3,972,636. Property tax, sales tax and charges for services are the City's largest revenue sources. Grants and contributions increased by \$477,253 due to county contributions received in the current year. Property taxes increased by \$325,018 or 35% due to an increase in the property tax rate in the current year. Interest income increased by \$48,915 or 725% due to an increase cash from bonds in late summer of 2017, and investing within investment pools with higher rates. 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

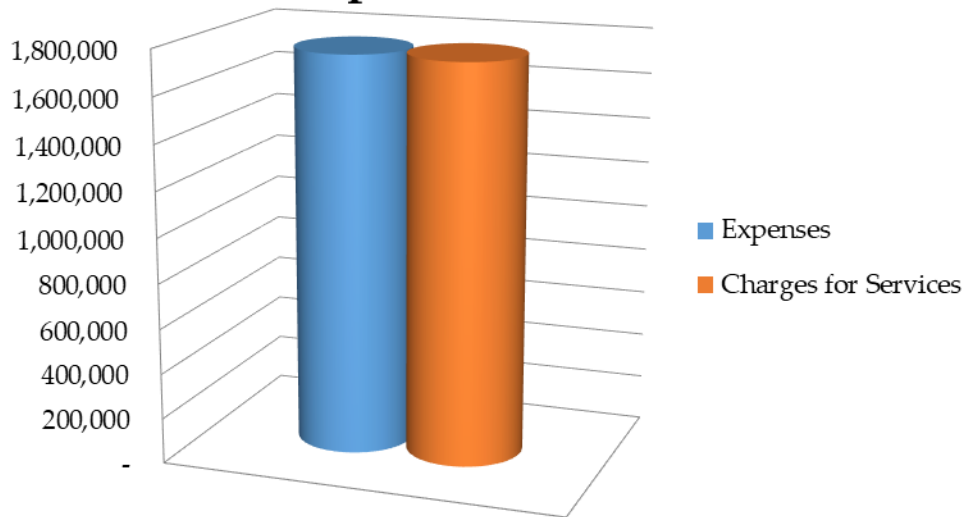


City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2018

For the year ended September 30, 2018, expenses for governmental activities totaled \$3,385,886. This represents a decrease of \$283,766 or 8% from the prior year. The City's largest functional expense is public safety of \$2,029,994, which decreased by \$93,039 primarily due to decreases in payroll in the current year. General government expenditures decreased by \$138,982 or 18% primarily due to decreases in consulting and contractor expenses in the current 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, 2018, charges for services by business-type activities totaled \$1,752,416. This is an increase of \$82,717 or 5%, from the previous year. The increase is primarily a result of an increase in utility consumption in the current year.

Total expenses slightly increased by \$86,220 or 5% during the year consistent with the increase in consumption.

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.

City of Dalworthington Gardens, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2018

As of the end of the year the general fund reflected an ending fund balance of \$514,947. Unassigned fund balance totaled \$502,075 as of year end or 17% of total expenditures for the year. There was an overall decrease in general fund balance of \$55,754 from the prior year. The decrease was a result of current year expenditures exceeding revenues and other financing sources.

The parks and recreation facility development fund had an ending fund balance of \$555,140, an increase of \$17,468 from the prior year.

The debt service had an ending fund balance of \$72,352 at yearend for a decrease of \$13,359. Total principal and interest payments made during the year were \$125,000 and \$176,858, respectively.

The capital projects fund had an ending fund balance of \$2,555,180, a decrease of \$460,325 from the prior year.

There was an overall decrease in governmental fund balance of \$486,837 from the prior year. The decrease was primarily related to capital expenditures in the current year.

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 revenue variance of \$144,377 and a negative expenditure variance of \$30,669 for the year. The negative revenue variance was primarily due to negative variances in property taxes, license and permits, municipal court, and oil and gas mineral rights revenues. The negative expenditure variance was due to a negative variance in public safety of \$44,900, which was more than offset with a positive variance related to proceeds from capital leases for public safety vehicles within other financing sources that related to more than the expense budget overage. Other financing sources (uses) had an overall positive budget variance of \$115,428. This variance was primarily due to positive variances in proceeds from sales of capital assets and proceeds from capital lease. The total budget variance was a negative variance of \$59,618.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$3,128,117 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 \$2,266,376 in a variety of capital assets and infrastructure, net of accumulated depreciation.

City of Dalworthington Gardens, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2018

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

- 43rd Ambassador Row construction costs for \$287,923 during the year.
- Street construction costs of \$602,021 for the California project.
- Purchase of 2 new Chevrolet Tahoes for the police department for \$93,076.

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds, notes, and leases outstanding of \$4,807,725. During the year, the City's payments on long-term debt were \$226,117. Also during the year, the City entered into a new capital lease agreement for purchase of new vehicles totaling \$93,699. More detailed information about the City's long-term liabilities is presented in note IV. E 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 budgeted a 54.92% increase in the property tax rate. The primary purpose for this increase is for the City to no longer rely on an infinite resource of Oil & Gas well royalties to fund maintenance & operation costs. This resource has been committed to increase operating reserves, one-time large capital purchases and pay off debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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FINANCIAL STATEMENTS

City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,234,396	\$ 182,096	\$ 1,416,492
Restricted cash	2,647,570	-	2,647,570
Receivables, net	288,223	200,622	488,845
Prepays	14,910	-	14,910
Internal balances	177,258	(177,258)	-
Total Current Assets	4,362,357	205,460	4,567,817
Capital assets:			
Non-depreciable	1,029,235	109,201	1,138,436
Net depreciable capital assets	2,098,882	2,157,175	4,256,057
	3,128,117	2,266,376	5,394,493
Total Assets	7,490,474	2,471,836	9,962,310
<u>Deferred Outflows of Resources</u>			
Pension contributions	202,618	35,756	238,374
OPEB contributions	193	34	227
OPEB experience vs. assumptions	4,723	833	5,556
Total Deferred Outflows of Resources	207,534	36,623	244,157

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2018

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and			
accrued liabilities	355,217	101,150	456,367
Unearned revenue	72,088	-	72,088
Accrued interest payable	31,115	-	31,115
Customer deposits	-	59,028	59,028
Long-term debt due within one year	289,235	7,682	296,917
Total Current Liabilities	747,655	167,860	915,515
Noncurrent liabilities:			
Due in more than one year	4,856,930	854	4,857,784
Net pension liability	2,164,648	381,997	2,546,645
OPEB liability	61,248	10,808	72,056
	7,082,826	393,659	7,476,485
Total Liabilities	7,830,481	561,519	8,392,000
<u>Deferred Inflows of Resources</u>			
Pension investment experience	86,216	41,842	128,058
Pension losses (gains)	124,979	312	125,291
Total Deferred Inflows of Resources	211,195	42,154	253,349
<u>Net Position</u>			
Net investment in			
capital assets	670,317	2,266,376	2,936,693
Restricted	729,051	-	729,051
Unrestricted	(1,743,036)	(361,590)	(2,104,626)
Total Net Position	\$ (343,668)	\$ 1,904,786	\$ 1,561,118

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 640,615	\$ 97,791	\$ -
Public safety	2,029,994	532,338	-
Public works	360,568	-	477,253
Parks and recreation	189,202	-	-
Interest and fiscal charges	165,508	-	-
Total Governmental Activities	3,385,886	630,129	477,253
Business-Type Activities			
Water, Sewer, & Sanitation	1,755,314	1,752,416	-
Total Business-Type Activities	1,755,314	1,752,416	-
Total Primary Government	\$ 5,141,200	\$ 2,382,545	477,253

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
\$ (542,824)	\$ -	\$ (542,824)
(1,497,656)	-	(1,497,656)
116,685	-	116,685
(189,202)	-	(189,202)
(165,508)	-	(165,508)
<u>(2,278,504)</u>	<u>-</u>	<u>(2,278,504)</u>
-	(2,898)	(2,898)
-	(2,898)	(2,898)
<u>(2,278,504)</u>	<u>(2,898)</u>	<u>(2,281,402)</u>
1,252,733	-	1,252,733
790,310	-	790,310
345,480	-	345,480
306,034	-	306,034
55,662	2,401	58,063
115,035	42,967	158,002
56,691	(56,691)	-
<u>2,921,945</u>	<u>(11,323)</u>	<u>2,910,622</u>
643,441	(14,221)	629,220
(987,109)	1,919,007	931,898
<u>\$ (343,668)</u>	<u>\$ 1,904,786</u>	<u>\$ 1,561,118</u>

City of Dalworthington Gardens, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	General	Parks and Recreation Facility Development	Capital Projects	Debt Service
<u>Assets</u>				
Cash and cash equivalents	\$ 579,834	\$ 518,184	\$ -	\$ 71,512
Restricted cash	-	-	2,627,396	-
Receivables, net	197,455	40,059	-	12,321
Prepays	12,872	1,891	-	-
Due from other funds	102,711	-	-	814
Total Assets	\$ 892,872	\$ 560,134	\$ 2,627,396	\$ 84,647
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 256,512	\$ 4,994	\$ 71,319	\$ -
Unearned revenue	72,088	-	-	-
Due to other funds	-	-	897	-
Total Liabilities	328,600	4,994	72,216	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	49,325	-	-	12,295
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	12,872	1,891	-	-
Restricted for:				
Parks and recreation	-	553,249	-	-
Special revenue	-	-	-	-
Capital improvements	-	-	2,555,180	-
Debt service fund	-	-	-	72,352
Unassigned reported in:				
General fund	502,075	-	-	-
Total Fund Balances	514,947	555,140	2,555,180	72,352
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 892,872	\$ 560,134	\$ 2,627,396	\$ 84,647

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 64,866	\$ 1,234,396
20,174	2,647,570
38,388	288,223
147	14,910
87,626	191,151
<u>\$ 211,201</u>	<u>\$ 4,376,250</u>

\$ 22,392	\$ 355,217
-	72,088
12,996	13,893
<u>35,388</u>	<u>441,198</u>

<u>-</u>	<u>61,620</u>
----------	---------------

147	14,910
-	553,249
175,666	175,666
-	2,555,180
-	72,352
-	502,075
<u>175,813</u>	<u>3,873,432</u>

<u>\$ 211,201</u>	<u>\$ 4,376,250</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, 2018

Fund Balances - Total Governmental Funds	3,873,432
---	------------------

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	1,029,235
----------------------------------	-----------

Capital assets - net depreciable	2,098,882
----------------------------------	-----------

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

Property tax receivable	61,620
-------------------------	--------

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	202,618
-----------------------	---------

OPEB contributions	193
--------------------	-----

OPEB difference between assumptions and actual	4,723
--	-------

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 investment experience	(86,216)
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Pension (gains) losses	(124,979)
------------------------	-----------

Some liabilities, including bonds payable and deferred charges, are not reported as

liabilities in the governmental funds.

Accrued interest	(31,115)
------------------	----------

Non-current liabilities due in one year	(289,235)
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Non-current liabilities due in more than one year	(4,856,930)
---	-------------

Net pension liability	(2,164,648)
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OPEB liability	(61,248)
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Net Position of Governmental Activities	(343,668)
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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, 2018

	General	Parks and Recreation Facility Development	Capital Projects	Debt Service
<u>Revenues</u>				
Property tax	\$ 966,050	\$ -	\$ -	\$ 287,409
Sales tax	399,160	199,320	-	-
Franchise and local taxes	345,480	-	-	-
License and permits	97,791	-	-	-
Fines and forfeitures	498,920	-	-	-
Oil and gas mineral rights	306,034	-	-	-
Interest income	6,211	3,485	43,543	1,090
Other revenues	86,382	9,158	-	-
Total Revenues	2,706,028	211,963	43,543	288,499
<u>Expenditures</u>				
Current:				
General government	650,840	-	-	-
Public safety	1,867,584	-	-	-
Public works	249,487	-	-	-
Parks and recreation	-	194,151	-	-
Capital outlay	-	-	503,868	-
Debt Service:				
Principal	101,117	-	-	125,000
Interest and fiscal charges	8,182	-	-	176,858
Total Expenditures	2,877,210	194,151	503,868	301,858
Excess of Revenues				
Over (Under) Expenditures	(171,182)	17,812	(460,325)	(13,359)
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of capital	21,729	-	-	-
Proceeds from capital lease	93,699	-	-	-
Transfers out	-	(344)	-	-
Transfers in	-	-	-	-
Total Other Financing (Sources)	115,428	(344)	-	-
Net Change in Fund Balances	(55,754)	17,468	(460,325)	(13,359)
Beginning fund balances	570,701	537,672	3,015,505	85,711
Ending Fund Balances	\$ 514,947	\$ 555,140	\$ 2,555,180	\$ 72,352

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,253,459
191,830	790,310
-	345,480
-	97,791
33,418	532,338
-	306,034
1,333	55,662
166	95,706
<u>226,747</u>	<u>3,476,780</u>
-	650,840
166,610	2,034,194
-	249,487
-	194,151
35,165	539,033
-	226,117
183	185,223
<u>201,958</u>	<u>4,079,045</u>
24,789	(602,265)
-	21,729
-	93,699
-	(344)
344	344
<u>344</u>	<u>115,428</u>
25,133	(486,837)
150,680	4,360,269
<u>\$ 175,813</u>	<u>\$ 3,873,432</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, 2018

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

Net changes in fund balances - total governmental funds	\$	(486,837)
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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		696,933
Depreciation expense		(272,003)
Capital assets transferred to proprietary fund		(154,563)
Capital assets contributed from county		477,253
Book value of capital assets disposed of		(2,400)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(726)
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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		3,832
Accrued interest		6,809
Pension expense		23,075
OPEB expense reduction		(4,510)
Pension transferred to proprietary fund		211,254

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		226,117
Proceeds from capital lease issuance		(93,699)
Amortization of premium		12,906

Change in Net Position of Governmental Activities	\$	643,441
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See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2018

	<u>Water, Sewer & Sanitation</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 182,096
Receivables, net	200,622
Total Current Assets	<u>382,718</u>
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	109,201
Net depreciable capital assets	2,157,175
Total Noncurrent Assets	<u>2,266,376</u>
Total Assets	<u>2,649,094</u>
<u>Deferred Outflows of Resources</u>	
Pension contributions	35,756
OPEB experience vs. assumptions	833
OPEB contributions	34
Total Deferred Outflows of Resources	<u>36,623</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	101,150
Customer deposits	59,028
Due to other funds	177,258
Long-term debt due within one year	7,682
Total Current Liabilities	<u>345,118</u>
<u>Noncurrent Liabilities</u>	
Due in more than one year	854
Net pension liability	381,997
OPEB liability	10,808
Total Liabilities	<u>738,777</u>
<u>Deferred Inflows of Resources</u>	
Pension investment experience	312
Pension (gains) losses	41,842
Total Deferred Inflows of Resources	<u>42,154</u>
<u>Net Position</u>	
Net investment in capital assets	2,266,376
Unrestricted	(361,590)
Total Net Position	<u>\$ 1,904,786</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, 2018

	Water, Sewer & Sanitation
<u>Operating Revenues</u>	
Water sales	\$ 1,033,503
Sewer revenue	550,432
Refuse collection	168,481
Other revenue	42,967
Total Operating Revenues	1,795,383
<u>Operating Expenses</u>	
Cost of water	667,271
Personnel	356,417
Material and supplies	64,285
Contracted services	510,030
Depreciation	155,155
Total Operating Expenses	1,753,158
Operating Income (Loss)	42,225
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	2,401
Interest expense	(2,156)
Total Nonoperating Revenues (Expenses)	245
Income (Loss) Before Transfers	42,470
Transfers out	(56,691)
Change in Net Position	(14,221)
Beginning net position	1,919,007
Ending Net Position	\$ 1,904,786

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, 2018

	<u>Water, Sewer & Sanitation</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 1,998,480
Payments to suppliers and contractors	(1,527,627)
Payments to employees	(355,637)
Net Cash Provided (Used) by Operating Activities	<u>115,216</u>
<u>Cash Flows from Capital and Financing Activities</u>	
Purchase of capital assets	(53,375)
Interest paid	(2,156)
Net Cash Provided (Used) by Capital Financing Activities	<u>(55,531)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	2,401
Net Cash Provided by Investing Activities	<u>2,401</u>
Net Increase (Decrease) in Cash and Cash Equivalents	62,086
Beginning cash and cash equivalents	120,010
Ending Cash and Cash Equivalents	<u><u>\$ 182,096</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, 2018

	<u>Water, Sewer & Sanitation</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 42,225
Adjustments to reconcile operating income to net cash used:	
Depreciation	155,155
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	207,808
Prepaid expenses	2,252
Customer deposits	(4,711)
Compensated absences	4,057
Deferred outflows of resources	(4,209)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(70,072)
Net pension liability	(31,765)
OPEB liability	1,628
Deferred intflows of resources	31,069
Due to other funds	(218,221)
Net Cash Provided (Used) by Operating Activities	\$ 115,216
 <u>Schedule of Non-Cash Capital and Related Financing Activities</u>	
Capital assets transferred from governmental activities	\$ 154,563
Net pension liability transferred from governmental activities	(211,254)

See Notes to Financial Statements.

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City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 2018

- 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, 2018

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, public safety, and public works.

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.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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 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 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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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, 2018

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

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

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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 two years. 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.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 years
Furniture and equipment	5 to 10 years
Infrastructure	20 to 40 years
Water and sewer system	15 to 40 years
Buildings and improvements	10 to 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 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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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.

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.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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 and banked compensation time gained through working overtime. 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 interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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.

14. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of 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 decreased by \$72,878 compared to the original budget. The final budgeted expenditures were decreased by \$76,742 compared to the original budget. Appropriations lapse at the end of the year.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

A. Expenditures Over Appropriations

The City had the below expenditures that exceeded appropriations at the legal level of control. However, this was more than offset with the gain from proceeds from capital lease.

General Fund:

Public safety	\$44,900
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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.

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 and LOGIC 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	Carrying Value	Weighted
		Average Maturity
		Days
TexStar investment pool	2,809,392	43
LOGIC investment pool	70,910	42
Total fair value	<u>\$ 2,880,302</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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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, 2018, the City's investment in TexSTAR was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2018, 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. There were no limitations or restrictions on withdrawals.

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.

LOGIC

Local Government Investment Cooperative ("LOGIC") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas to jointly invest their funds in permitted investments.

LOGIC's governing body is a five-member Board of Directors comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with the Cooperative and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Cooperative. At September 30, 2018, the fair value of the position in LOGIC approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

B. Receivables

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

	General	Parks and Recreation Facility Development	Debt Service	Nonmajor Governmental	Water, Sewer & Sanitation	Total
Taxes						
Property taxes	\$ 49,285	\$ -	\$ 12,321	\$ -	\$ -	\$ 61,606
Sales taxes	80,125	40,059	-	38,388	-	158,572
Franchise tax	10,785	-	-	-	-	10,785
Oil and gas	43,894	-	-	-	-	43,894
Accounts	14,066	-	-	-	281,490	295,556
Allowance	(700)	-	-	-	(80,868)	(81,568)
Total	\$ 197,455	\$ 40,059	\$ 12,321	\$ 38,388	\$ 200,622	\$ 488,845

C. Interfund Transactions

The compositions of interfund due to/from balances as of the year ended September 30, 2018 were as follows:

Receivable Fund	Payable Fund	Amount
General	Water, Sewer & Sanitation	\$ 93,870
Debt service	Water, Sewer & Sanitation	814
Nonmajor governmental	Water, Sewer & Sanitation	82,574
Nonmajor governmental	Capital projects	897
General	Nonmajor governmental	8,841
Nonmajor governmental	Nonmajor governmental	4,155
		<u>191,151</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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

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

Transfer In	Transfer Out	Amount
Nonmajor governmental	Parks & Rec. Fac. Development	\$ 344
Governmental Activities	Water, Sewer & Sanitation	154,563 ²
Water, Sewer & Sanitation	Governmental Activities	211,254 ¹
		<u>\$ 366,161</u>

¹ Represents transfer of capital assets between funds

² Represents transfer of net pension liability and deferred inflows/outflows 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	8,982	1,025,721	(296,906)	737,797
Total capital assets not being depreciated	<u>300,420</u>	<u>1,025,721</u>	<u>(296,906)</u>	<u>1,029,235</u>
Capital assets, being depreciated:				
Buildings and improvements	623,068	-	-	623,068
Vehicles and equipment	2,144,883	118,540	(29,096)	2,234,327
Infrastructure	3,735,422	29,925	142,343	3,907,690
Total capital assets being depreciated	<u>6,503,373</u>	<u>148,465</u>	<u>113,247</u>	<u>6,765,085</u>
Less accumulated depreciation				
Buildings and improvements	425,212	16,373	-	441,585
Vehicles and equipment	1,809,864	119,530	(26,696)	1,902,698
Infrastructure	2,185,820	136,100	-	2,321,920
Total accumulated depreciation	<u>4,420,896</u>	<u>272,003</u>	<u>(26,696)</u>	<u>4,666,203</u>
Net capital assets being depreciated	<u>2,082,477</u>	<u>(123,538)</u>	<u>139,943</u>	<u>2,098,882</u>
Total capital assets	<u>\$ 2,382,897</u>	<u>\$ 902,183</u>	<u>\$ (156,963)</u>	<u>\$ 3,128,117</u>

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

Depreciation was charged to governmental functions as follows:

General government	\$	7,688
Public safety		117,122
Public works		116,217
Parks and recreation		30,976
Total Governmental Activities Depreciation Expense	\$	272,003

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	5,485,347	41,260	154,563	5,681,170
Vehicles and equipment	306,560	12,115	-	318,675
Total capital assets being depreciated	5,793,025	53,375	154,563	6,000,963
Less accumulated depreciation				
Buildings and improvements	1,118	-	-	1,118
Water and sewer system	3,403,743	142,347	-	3,546,090
Vehicles and equipment	283,772	12,808	-	296,580
Total accumulated depreciation	3,688,633	155,155	-	3,843,788
Net capital assets being depreciated	2,104,392	(101,780)	154,563	2,157,175
Total capital assets	\$ 2,213,593	\$ (101,780)	\$ 154,563	\$ 2,266,376

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
Combination Tax and Revenue Certificate of Obligation	\$ 1,590,000	\$ -	\$ (55,000)	\$ 1,535,000	\$ 55,000
General Obligation Refunding & Improvement Bonds	3,190,000	-	(70,000)	3,120,000	75,000
Deferred amounts:					
For issuance premiums	290,377	-	(12,906)	277,471	-
	<u>5,070,377</u>	<u>-</u>	<u>(137,906)</u>	<u>4,932,471</u>	<u>130,000</u>
Other liabilities:					
Capital lease	160,143	93,699	(101,117)	152,725	104,363
Compensated absences	64,801	51,551	(55,383)	60,969	54,872
Total Governmental Activities	<u>\$ 5,295,321</u>	<u>\$ 145,250</u>	<u>\$ (294,406)</u>	<u>\$ 5,146,165</u>	<u>\$ 289,235</u>
Long-term liabilities due in more than one year				<u>\$ 4,856,930</u>	
Business-Type Activities:					
Other liabilities:					
Compensated absences	\$ 4,479	\$ 11,024	\$ (6,967)	\$ 8,536	\$ 7,682
Total Business-Type Activities	<u>\$ 4,479</u>	<u>\$ 11,024</u>	<u>\$ (6,967)</u>	<u>\$ 8,536</u>	<u>\$ 7,682</u>
Long-term liabilities due in more than one year				<u>\$ 854</u>	

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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%	\$ 3,120,000	\$ -	\$ 3,120,000
Total General Obligation bonds	\$ 3,120,000	\$ -	\$ 3,120,000
Certificates of Obligation:			
\$1,755,000 Certificates of Obligation, Series 2014, due in annual installments through 2034, interest at 2-4%	\$ 1,535,000	\$ -	\$ 1,535,000
Total Certificates of Obligation	\$ 1,535,000	\$ -	\$ 1,535,000
Deferred amounts:			
Issuance premium	\$ 277,471	\$ -	\$ 277,471
Total Deferred Amounts	\$ 277,471	\$ -	\$ 277,471
Capital leases, due in annual installments through 2021, interest at 3-4%	152,725	-	152,725
Compensated absences	60,969	8,536	69,505
Total Debt	\$ 5,146,165	\$ 8,536	\$ 5,154,701

Total capital assets acquired through capital leases had balances as of September 30, 2018 for cost, accumulated depreciation, and carrying value of \$487,534, \$240,143, and \$247,391, respectively. Depreciation expense recognized on these assets during the year ended September 30, 2018 was \$71,090.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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
2019	\$ 75,000	\$ 116,012	\$ 55,000	\$ 54,375	\$ 104,363	\$ 4,936
2020	80,000	114,762	55,000	53,275	23,790	1,586
2021	80,000	113,162	60,000	51,625	24,572	806
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>\$ 3,120,000</u>	<u>\$ 1,994,808</u>	<u>\$ 1,535,000</u>	<u>\$ 567,150</u>	<u>\$ 152,725</u>	<u>\$ 7,328</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.

General Obligation Refunding 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.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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:

	<u>Restricted</u>
Parks and recreation	\$ 553,249
Municipal court security	13,678 *
Municipal court automation	118,557 *
Park donations	20,174
Public safety seizures	4,453 *
Public safety	18,804
Debt service	72,352
Capital improvements	2,555,180
Total	<u><u>\$ 3,356,447</u></u>

* 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.

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,

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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 2017</u>	<u>Plan Year 2016</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

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2017</u>	<u>2016</u>
Inactive employees or beneficiaries currently receiving benefits	10	9
Inactive employees entitled to but not yet receiving benefits	25	22
Active employees	26	28
Total	<u>61</u>	<u>59</u>

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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 22.01% and 21.09% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$331,898 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, 2017, 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, 2017 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

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

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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).

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.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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%
\$ 4,030,832	\$ 2,546,645	\$ 1,367,770

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/16	\$ 8,222,113	\$ 5,329,135	\$ 2,892,978
Changes for the year:			
Service cost	265,078	-	265,078
Interest	553,489	-	553,489
Difference between expected and actual experience	25,994	-	25,994
Contributions – employer	-	345,843	(345,843)
Contributions – employee	-	109,991	(109,991)
Net investment income	-	739,082	(739,082)
Benefit payments, including refunds of emp. contributions	(309,626)	(309,626)	-
Administrative expense	-	(3,828)	3,828
Other changes	-	(194)	194
Net changes	534,935	881,268	(346,333)
Balance at 12/31/17	\$ 8,757,048	\$ 6,210,403	\$ 2,546,645

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, 2018, the City recognized pension expense of \$304,750.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

At September 30, 2018, 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	\$ -	\$ (125,291)
Differences between expected and actual economic experience	-	(128,058)
Contributions subsequent to the measurement date	238,374	-
Total	\$ 238,374	\$ (253,349)

The City reported \$238,374 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:	
2018	\$ (48,131)
2019	(48,859)
2020	(85,087)
2021	(71,272)
2022	-
Thereafter	-
Total	\$ (253,349)

Other Postemployment Benefits

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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.

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	8
Active employees	26
Total	44

The City's contributions to the TMRS SDBF for the years ended 2018, 2017, and 2016 were \$311, \$318, and \$314 respectively, which equaled the required contributions each year. The required contribution rates for the retiree for 2018, 2017, and 2016 were 0.02%, respectively.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2017, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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-

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

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.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

1% Decrease (2.31%)	Current Single Rate Assumption 3.31%	1% Increase (4.31%)
\$ 89,667	\$ 72,056	\$ 58,990

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/16	\$ 61,198
Changes for the year:	
Service Cost	2,200
Interest	2,349
Changes of assumptions	6,623
Benefit payments	(314)
Net changes	10,858
Balance at 12/31/17	\$ 72,056

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$5,616.

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 5,556
Contributions after the measurement date	227
Total	\$ 5,783

The City reported \$227 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 OPEB liability for the year ending September 30, 2019.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2018	\$	1,067
2019		1,067
2020		1,067
2021		1,067
2022		1,067
Thereafter		221
	\$	<u>5,556</u>

E. Restatement

The City restated the beginning net position of governmental activities and business-type activities for the OPEB liability for the TMRS supplemental death benefit realized with the adoption of GASB 75. The City has restated net positions as follows:

	Governmental Activities	Business-Type Activities
Prior year ending net position	\$ (935,287)	\$ 1,928,152
Addition of OPEB liability	(51,822)	(9,145)
Restated beginning net position/fund balance	<u>\$ (987,109)</u>	<u>\$ 1,919,007</u>

City of Dalworthington Gardens, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2018

F. Subsequent Events

In March of 2019, the City signed a contract for roof repairs to the city hall building for \$119,227.

There were no other material subsequent events through March 19, 2019, 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, 2018

	Original Budget	Final Budget	General	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property tax	\$ 1,034,723	\$ 990,352	\$ 966,050	\$ (24,302)
Sales tax	390,000	390,000	399,160	9,160
Franchise and local taxes	372,500	347,853	345,480	(2,373)
License and permits	132,202	129,780	97,791	(31,989)
Municipal court	700,001	599,992	498,920	(101,072)
Oil and gas mineral rights	239,257	326,080	306,034	(20,046)
Interest income	600	695	6,211	5,516
Other revenues	54,000	65,653	86,382	20,729
Total Revenues	2,923,283	2,850,405	2,706,028	(144,377)
<u>Expenditures</u>				
Current:				
General government	661,759	651,021	650,840	181
Public safety	1,877,623	1,822,684	1,867,584	(44,900) *
Public works	299,901	263,537	249,487	14,050
Debt service				
Principal	84,000	101,117	101,117	-
Interest and fiscal charges	-	8,182	8,182	-
Total Expenditures	2,923,283	2,846,541	2,877,210	(30,669)
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of capital assets	-	-	21,729	21,729
Proceeds from capital lease	-	-	93,699	93,699
Total Other Financing Sources				
(Uses)	-	-	115,428	115,428
Net Change in Fund Balance	\$ -	\$ 3,864	(55,754)	\$ (59,618)
Beginning fund balance			570,701	
Ending Fund Balance			\$ 514,947	

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.

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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, 2018

	Original Budget	Final Budget	Parks and Recreation Facility Development	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Sales tax	\$ 190,000	\$ 190,000	\$ 199,320	\$ 9,320
Other revenues	-	-	9,158	9,158
Interest income	240	1,058	3,485	2,427
Total Revenues	190,240	191,058	211,963	20,905
<u>Expenditures</u>				
Current:				
Parks and recreation	187,500	213,207	194,151	19,056
Total Expenditures	187,500	213,207	194,151	19,056
Revenues Over (Under)	2,740	(22,149)	17,812	39,961
<u>Other Financing Sources (Uses)</u>				
Transfers out	-	-	(344)	(344)
Total Other Financing	-	-	(344)	(344)
Net Change in Fund Balance	\$ 2,740	\$ (22,149)	17,468	\$ 39,617
Beginning fund balance			537,672	
Ending Fund Balance			\$ 555,140	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See Notes to Financial Statements.

City of Dalworthington Gardens, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31,

	¹ 12/31/2017	12/31/2016	12/31/2015
Total pension liability			
Service cost	\$ 265,078	\$ 282,630	\$ 277,028
Interest	553,489	525,093	513,667
Differences between expected and actual experience	25,994	(60,072)	(94,934)
Changes in assumptions	-	-	18,672
Benefit payments, including refunds of participant contributions	(309,626)	(326,752)	(225,598)
Net change in total pension liability	534,935	420,899	488,835
Total pension liability - beginning	8,222,113	7,801,214	7,312,379
Total pension liability - ending (a)	8,757,048	8,222,113	7,801,214
Plan fiduciary net position			
Contributions - employer	\$ 345,843	\$ 355,310	\$ 354,059
Contributions - members	109,991	113,311	110,496
Net investment income	739,082	328,786	6,820
Benefit payments, including refunds of participant contributions	(309,626)	(326,752)	(225,598)
Administrative expenses	(3,828)	(3,711)	(4,153)
Other	(194)	(200)	(205)
Net change in plan fiduciary net position	881,268	466,744	241,419
Plan fiduciary net position - beginning	5,329,135	4,862,391	4,620,972
Plan fiduciary net position - ending (b)	\$ 6,210,403	\$ 5,329,135	\$ 4,862,391
Fund's net pension liability (asset) - ending (a) - (b)	\$ 2,546,645	\$ 2,892,978	\$ 2,938,823
 Plan fiduciary net position as a percentage of the total pension liability	 70.92%	64.81%	62.33%
 Covered payroll	 \$ 1,571,297	\$ 1,618,726	\$ 1,578,510
 Fund's net position as a percentage of covered payroll	 162.07%	178.72%	186.18%

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.

12/31/2014

\$ 265,704
481,756

(136,520)

-

(95,888)

515,052

6,797,327

7,312,379

\$ 325,816
107,327
232,020

(95,888)

(2,421)

(199)

566,655

4,054,317

\$ 4,620,972

\$ 2,691,407

63.19%

\$ 1,516,714

177.45%

City of Dalworthington Gardens, Texas
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
For the Years Ended:

	¹ <u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Actuarially determined employer contributions	\$ 331,898	\$ 350,145	\$ 346,656
Contributions in relation to the			
actuarially determined contribution	\$ 331,898	\$ 350,145	\$ 346,656
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered employee payroll	\$ 1,555,187	\$ 1,592,059	\$ 1,569,560
Employer contributions as a			
percentage of covered employee payroll	21.34%	21.99%	22.09%

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.

9/30/2015

\$ 334,267

\$ 334,267

\$ -

\$ 1,514,074

22.08%

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City of Dalworthington Gardens, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

Year Ended December 31,

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 2,200
Interest	2,349
Changes of assumptions	6,623
Benefit payments, including refunds of participant contributions	(314)
Net changes	<u>10,858</u>
Total OPEB liability - beginning	<u>61,198</u>
Total OPEB liability - ending (a)	<u><u>\$ 72,056</u></u>
Covered employee payroll	\$ 1,571,297
Total OPEB Liability as a percentage of covered employee payroll	4.59%

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.
- ² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

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OTHER SUPPLEMENTARY INFORMATION

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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.

CRIME CONTROL AND PREVENTION DISTRICT FUND

This is a special purpose district that collects sales tax within its boundaries for the purpose of controlling and preventing crime.

City of Dalworthington Gardens, Texas

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2018

	Municipal Court Security	Municipal Court Automation	Park Donations	Public Safety Seizures
<u>Assets</u>				
Cash and cash equivalents	\$ 5,817	\$ 57,130	\$ -	\$ 1,919
Restricted cash	-	-	20,174	-
Receivables, net	-	-	-	-
Prepaid expenses	-	147	-	-
Due from other funds	7,861	77,181	-	2,584
Total Assets	\$ 13,678	\$ 134,458	\$ 20,174	\$ 4,503
<u>Liabilities</u>				
Accounts payable and accrued liabilities	-	15,754	-	50
Due to other funds	-	-	-	-
Total Liabilities	-	15,754	-	50
<u>Fund Balances</u>				
Nonspendable	-	147	-	-
Restricted	13,678	118,557	20,174	4,453
Total Fund Balances	13,678	118,704	20,174	4,453
Total Liabilities and Fund Balances	\$ 13,678	\$ 134,458	\$ 20,174	\$ 4,503

Crime Control & Prevention	Total
\$ -	\$ 64,866
-	20,174
38,388	38,388
-	147
-	87,626
<u>\$ 38,388</u>	<u>\$ 211,201</u>

6,588	22,392
12,996	12,996
<u>19,584</u>	<u>35,388</u>
-	147
18,804	175,666
<u>18,804</u>	<u>175,813</u>
<u>\$ 38,388</u>	<u>\$ 211,201</u>

City of Dalworthington Gardens, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	Municipal Court Security	Municipal Court Automation	Park Donations	Public Safety Seizures
<u>Revenues</u>				
Sales tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	11,386	15,222	-	6,810
Interest income	-	1,156	137	-
Other Income	166	-	-	-
Total Revenues	11,552	16,378	137	6,810
<u>Expenditures</u>				
Current:				
Public safety	42,994	15,992	-	10,409
Capital outlay	-	35,165	-	-
Debt service:				
Interest	-	-	-	-
Total Expenditures	42,994	51,157	-	10,409
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	344	-
Total Other financing sources				
(Uses)	-	-	344	-
Net Change in Fund Balances	(31,442)	(34,779)	481	(3,599)
Beginning fund balances	45,120	153,483	19,693	8,052
Ending Fund Balances	\$ 13,678	\$ 118,704	\$ 20,174	\$ 4,453

Crime Control & Prevention		Total	
\$	191,830	\$	191,830
	-		33,418
	40		1,333
	-		166
	191,870		226,747
	97,215		166,610
	-		35,165
	183		183
	97,398		201,958
	-		344
	-		344
	94,472		25,133
	(75,668)		150,680
\$	18,804	\$	175,813

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