

City of Balch Springs, Texas

Independent Auditor's Report and Financial Statements
For the Fiscal Year Ended
September 30, 2015



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City of Balch Springs, Texas
Year Ended September 30, 2015

Contents

Financial Section

Independent Auditor’s Report 1
Management’s Discussion and Analysis 4

Basic Financial Statements

Government-Wide Financial Statements
Statement of Net Position..... 13
Statement of Activities 14

Fund Financial Statements

Governmental Funds Financial Statements
Balance Sheet..... 15
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position..... 16
Statement of Revenues, Expenditures and Changes in Fund Balances..... 17
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities 18

Proprietary Funds Financial Statements
Statement of Net Position 19
Statement of Revenues, Expenses and Changes in Net Position 20
Statement of Cash Flows 21

Component Units Financial Statements
Statement of Net Position 22
Statement of Activities 23

Notes to Basic Financial Statements 24

City of Balch Springs, Texas

Year Ended September 30, 2015

Required Supplementary Information

Schedule of Changes in the City’s Net Pension Liability and Related Ratios	47
Schedule of City Contributions	48
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, General Fund	49
Notes to Required Supplementary Information	50

Individual Fund and Nonmajor Combining Financial Statements and Schedules

Nonmajor Governmental Funds	
Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	54

Discretely Presented Component Units

Balance Sheet – Industrial and Economic Development Corporation	56
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – Industrial and Economic Development Corporation	57
Statement of Revenues, Expenditures and Changes in Fund Balance – Industrial and Economic Development Corporation	58
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Industrial and Economic Development Corporation	59
Balance Sheet – Community and Economic Development Corporation.....	60
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – Community and Economic Development Corporation	61
Statement of Revenues, Expenditures and Changes in Fund Balance – Community and Economic Development Corporation	62
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – Community and Economic Development Corporation	63

Financial Section

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Balch Springs, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Balch Springs, Texas (City), as of and for the year ended September 30, 2015, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As discussed in *Note 1* to the financial statements, in 2015 the City changed its method of accounting for pensions with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended. Our opinions are not modified with respect to this matter.

Correction of Accounting Error

As discussed in *Note 1* to the financial statements, the 2014 net position been restated to correct a material misstatement. Our opinions are not 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, and budgetary and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

Supplementary 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 accrual and fund statements and schedules listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2016, on our consideration of City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
June 2, 2016

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City of Balch Springs, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2015

The Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Balch Springs (City) for the fiscal year ended September 30, 2015.

Readers of the financial statements are encouraged to consider the information included in the other sections of the Financial Statements *e.g.*, combining statements and notes in conjunction with the MD&A.

FINANCIAL HIGHLIGHTS

The following financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements (BFS).

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2015, by \$28.6 million (net position). This was a decrease of \$4.7 million from the prior year.
- Restricted net position was positive \$3 million and unrestricted was negative \$2 million. Theoretically, the unrestricted net position is what is used to meet the City's ongoing obligations to citizens and creditors.
- The ending unassigned fund balance for the General Fund was \$1.6 million or 11.7 percent of next year's total General Fund budgeted revenues, a decrease of \$88 thousand from the prior year.
- The City's governmental funds reported combined ending fund balances of \$3.2 million of which \$1.6 million is available for spending at the City's discretion.
- The City's enterprise fund reported combined ending net position of \$20.0 million of which \$2.1 million is available for spending at the City's discretion.
- During FY 2015, the City issued no additional bonded debt.
- During 2015, the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, as amended. 2014 financial information has not been adjusted for the adoption of GASB 68.
- Governmental activities net position as of October 1, 2014, was restated for the correction of accounting error. 2014 financial information has not been adjusted for comparability.

Overview of the Financial Statements

Basic Financial Statements: The MD&A is intended to serve as an introduction to the City's BFS. The BFS are comprised of three components: 1) Government-Wide Financial Statements (GWFS), 2) Fund Financial Statements (FFS), and 3) Notes to Basic Financial Statements (Notes). This report also contains other Required Supplementary Information (RSI) in addition to the BFS.

Government-Wide Financial Statements: The GWFS, shown on pages 13-14 of this report, contain the statement of net position and the statement of activities, described below:

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position using the accrual basis of accounting. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

The statement of activities presents a comparison between direct expenses and program revenues for each of the City's functions or programs. Direct expenses are specifically associated with an activity and are therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program. Program revenues also include grants and contributions restricted to meeting the operational or capital requirements of a particular activity. Revenues not directly related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues.

Governmental activities (activities principally supported by taxes and intergovernmental revenues) of the City include general government, public safety, public works and community development and recreation. Business-type activities (activities intended to recover all of their costs through user fees and charges) of the City include water, sewer, and solid waste. All changes in net position are reported as soon as the underlying event occurs (accrual basis), regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as uncollected taxes and earned, but unused vacation leave.

Component Units: The GWFS include the City (primary government), and two legally separate entities (component units) for which the City is financially accountable. The component units consist of: Balch Springs Industrial and Economic Development Corporation (type A sales tax), and the Balch Springs Community and Economic Development Corporation (type B sales tax). The component units provide economic development services, community services, and public improvement financing for the City. Financial information for the component units is reported separately in the GWFS to differentiate them from the City's financial information.

Fund Financial Statements: A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The principal role of funds in the financial reporting model is to demonstrate fiscal accountability. The City, as with other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the FFS is on major funds. Major funds are those that meet minimum criteria (a percentage of assets, liabilities, revenue, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), or those that the City chooses to report as major funds given their qualitative significance. Non-major funds are aggregated and shown in a single column in the appropriate financial statements. Combining schedules of nonmajor funds are included in this report following the Required Supplementary Information (RSI). All funds of the City can be divided into two categories: *governmental funds* and *proprietary funds*.

City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

Governmental FFS: Governmental funds are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, governmental FFS focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the City's fiscal year. Such information is useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, the reader may better understand the long-term impact of near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 14 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 which is a major fund. The governmental FFS can be found on pages 15-18 of this report.

The City adopts a budget annually for the General Fund. In the RSI section, a budgetary comparison statement for the General Fund has been provided to demonstrate compliance with the budget.

Proprietary FFS: The City maintains one proprietary fund. It is reported as an *Enterprise fund* which is used to report the same functions presented as business-type activities in the GWFS. Enterprise FFS provide the same type of information as the GWFS, only in more detail. The City uses its Utility Fund to account for Water, Wastewater, and Solid Waste services. The proprietary FFS can be found on pages 19-21 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 24-46 of this report.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the City's progress in funding its obligation to provide pension benefits to its employees and retirees. The General Fund budgetary comparison demonstrating the legal level of budgetary control can also be found as part of the RSI. The RSI can be found on pages 47-49 of this report.

City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

Government-Wide Financial Analysis

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29.0 million (*net position*) at the close of the fiscal year, compared to assets exceeding liabilities by \$33.3 million (*net position*) at the end of the prior fiscal year. As a result of operations, total net position decreased by \$4.3 million during the period.

	Governmental Activities 2015	Business-type Activities 2015	Total 2015	Governmental Activities 2014	Business-type Activities 2014	Total 2014
Current and other assets	\$ 5,761,494	\$ 6,782,604	\$ 12,544,098	\$ 5,116,081	\$ 7,192,632	\$ 12,308,713
Capital assets	17,437,104	24,455,202	41,892,306	16,942,072	24,857,546	41,799,618
Total assets	<u>23,198,598</u>	<u>31,237,806</u>	<u>54,436,404</u>	<u>22,058,153</u>	<u>32,050,178</u>	<u>54,108,331</u>
Deferred outflows of resources	<u>1,046,774</u>	<u>235,525</u>	<u>1,282,299</u>	-	-	-
Long-term liabilities	12,786,401	9,384,430	22,170,831	7,849,233	8,914,673	16,763,906
Other liabilities	2,922,626	2,003,197	4,925,823	2,113,608	1,934,256	4,047,864
Total liabilities	<u>15,709,027</u>	<u>11,387,627</u>	<u>27,096,654</u>	<u>9,962,841</u>	<u>10,848,929</u>	<u>20,811,770</u>
Deferred inflows of resources	<u>11,005</u>	<u>2,475</u>	<u>13,480</u>	-	-	-
Net position						
Net investment in capital assets	11,003,734	16,617,172	27,620,906	9,971,525	16,001,330	25,972,855
Restricted	1,552,998	1,403,515	2,956,513	1,149,336	570,170	1,719,506
Unrestricted	(4,031,392)	2,062,542	(1,968,850)	974,451	4,629,749	5,604,200
Total net position	<u>\$ 8,525,340</u>	<u>\$ 20,083,229</u>	<u>\$ 28,608,569</u>	<u>\$ 12,095,312</u>	<u>\$ 21,201,249</u>	<u>\$ 33,296,561</u>

Approximately 96.5 percent of the City's net position reflects its investment in capital assets, including land, buildings, infrastructure, machinery and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net position totaling 10.3 percent of total net position, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted to be spent for specified capital projects, debt service reserves restricted by bond covenants, and special revenue funds restricted for specific purposes. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations. Although this amount is slightly negative in the amount of \$1,968,850, management sees this as a temporary reporting issue; due to the adjustment for change in pension accounting. To recap the major categories of net position for the City as a whole, they are: positive restricted of \$3 million for all activities, negative unrestricted of \$4.0 million for governmental activities and positive unrestricted of \$2.1 million for business-type activities. The net of restricted plus unrestricted net position for the City is \$1 million.

City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

The governmental and business-type net position increased and decreased by approximately \$664K and \$67K, respectively, and is shown in the following table:

	Governmental Activities 2015	Business-type Activities 2015	Total 2015	Governmental Activities 2014	Business-type Activities 2014	Total 2014
Revenues						
Program revenues						
Charges for services	\$ 1,461,803	\$ 10,579,107	\$ 12,040,910	\$ 1,847,500	\$ 10,274,265	\$ 12,121,765
Operating grant and contribution	1,112,129	-	1,112,129	1,233,338	-	1,233,338
Capital grants and contributions	320,729	-	320,729	1,184,418	-	1,184,418
General Revenue						
Taxes and fees	11,735,482	-	11,735,482	11,355,510	-	11,355,510
Other	298,849	152,198	451,047	634,800	289,537	924,337
Total revenues	<u>14,928,992</u>	<u>10,731,305</u>	<u>25,660,297</u>	<u>16,255,566</u>	<u>10,563,802</u>	<u>26,819,368</u>
Program Expenses						
General government	1,735,448	-	1,735,448	1,471,509	-	1,471,509
Public safety	9,165,576	-	9,165,576	9,327,192	-	9,327,192
Public works	3,322,133	-	3,322,133	3,382,406	-	3,382,406
Community development and recreation	999,508	-	999,508	1,331,802	-	1,331,802
Interest and fiscal charges	164,035	-	164,035	195,205	-	195,205
Water and sewer	-	9,217,866	9,217,866	-	9,046,606	9,046,606
Total expenses	<u>15,386,700</u>	<u>9,217,866</u>	<u>24,604,566</u>	<u>15,708,114</u>	<u>9,046,606</u>	<u>24,754,720</u>
Increase (Decrease in Net Position Before Transfers)	(457,708)	1,513,439	1,055,731	547,452	1,517,196	2,064,648
Transfers	<u>1,580,000</u>	<u>(1,580,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,122,292	(66,561)	1,055,731	547,452	1,517,196	2,064,648
Net Position, As Previously Reported	12,095,312	21,201,249	33,296,561	11,547,860	19,684,053	31,231,913
Change in Accounting Principle	(4,233,575)	(1,051,459)	(5,285,034)	-	-	-
Correction of Error	(458,689)	-	(458,689)	-	-	-
Net Position, Beginning of year	<u>7,403,048</u>	<u>20,149,790</u>	<u>27,552,838</u>	<u>11,547,860</u>	<u>19,684,053</u>	<u>31,231,913</u>
Net Position, End of Year	<u>\$ 8,525,340</u>	<u>\$ 20,083,229</u>	<u>\$ 28,608,569</u>	<u>\$ 12,095,312</u>	<u>\$ 21,201,249</u>	<u>\$ 33,296,561</u>

Changes in Net Position: Details of the above summarized information can be found on page 14 of this report.

City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

Governmental activities: The City's governmental activities experienced an increase in net position of \$663,603, compared to an increase of \$547,452 during the prior fiscal year. Key elements of the operational decrease include:

- Revenues were down by \$1.3 million. The major changes in revenue from the prior year are:
 - Charges for Services decreased by \$386,000. Major factors in this category were Court Service Collection Fees and Recreation Center Fees. The number of citations issued was down and business at the Center was down during the major repair work project.
 - Operating Grants decreased by \$121,000 over the prior year. These were several small "one-time" programs. For example, the CDBG grant was down by \$11,000.
 - Capital Grants decreased by \$864,000 over the prior year. These were "one-time" construction projects of the Economic Development Corporations.
 - Taxes and Fees increased by \$380,000. Property tax made up \$166,000 of that increase, sales tax accounted for \$313,000 of the increase while franchise fees and other taxes decreased by \$99,000.
 - A decrease in the Fines and Forfeiture revenue accounted for the majority of the remainder of the decrease.
- Transfers from the Business-type Activities to Governmental Activities are new to the City this year. City Council budgeted \$1,580,000 to be transferred from the Utility Fund to the General Fund. The Utility Fund was created with the merger of Dallas County Water Control and Improvement District #6 on December 10, 2013. The amount budgeted for fiscal year 2016 was reduced to \$1,050,000 and is projected to be lower in the future.

Business-type activities: Revenues from the City's business-type activities increased by \$0.3 million. Total revenue increased from \$10.6 million in the prior year to \$10.8 million in the current year. Key elements are as follows:

- Gallons billed increased slightly reflecting the modest growth in the local population.
- Water sales were virtually unchanged at almost \$3.9 million each year.
- Sewer sales were virtually unchanged at about \$3.3 million each year.
- Trash service sales were almost 5% higher at \$2.6 million this year.
- Expenses of the City's business-type activities increased by \$281,000 over the prior year. The bulk of that increase was due to the wholesale rate increases charged by the Dallas Waste Water Treatment system. These prices will be reviewed in our upcoming rate study as part of next year's budget preparation.

City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

Financial Analysis of the City's Funds

Governmental funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The GASB has defined five types of fund balances, which, are more fully described in the footnotes to the financials. The City uses three of the five types of fund balances defined: nonspendable, restricted, and unassigned. At the end of the year, the City's governmental funds reported combined ending fund balances of \$3.2 million, compared to \$2.8 million at the end of the prior fiscal year.

The General Fund is the chief operating fund of the City. The unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year. When fiscal year 2015 ended the General Fund had \$1.6 million unassigned fund balance, compared to \$1.7 million unassigned fund balance in fiscal year 2014. As a measure of the General Fund's liquidity, it is useful to compare the unassigned fund balance to total fund revenues. Unassigned fund balance represented 13.5 percent of total General Fund revenues compared to 14.6 percent of total General Fund revenue in the prior year.

Proprietary funds: The City's proprietary fund statements provide essentially the same type of information found in the GWFS, but in more detail. Net position of the Utility Fund decreased by \$67 thousand; from \$21.2 million, as restated, to \$20.1 million in the current fiscal year.

General Fund Budgetary Highlights

For fiscal year 2015 General Fund actual revenues exceeded budget by \$297,087. The largest element of the excess was Sales Tax. Sales Tax revenue in the General Fund was up 8.9% over the prior year. Its budget was \$3,600,000 and final actual revenue was \$3,835,671 for an excess of \$235,671. The next largest excess over budget was in Building Permits. It had an increase over the prior year of 78.2%, with a budget of \$75,000 and actual revenue of \$176,028. Court Fines was the area of greatest weakness.

For fiscal year 2015 the City Council adopted a General Fund operating budget that included expenditures of \$13,036,496. That was later amended to a total of \$13,200,973.

For fiscal year 2015 General Fund actual expenditures came in over budget by \$467,858 all of which was related to the purchase of the new 800mHz radio system used by Public Safety.

The City budget is on a basis other than Generally Accepted Accounting Principles (GAAP), with the main difference being that capital lease proceeds and related capital outlay are not budgeted.

City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities at September 30, 2015, totaled \$41,892,306, a \$92,688 increase over the prior fiscal year's balance of \$41,799,618. The investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and infrastructure. There were no major projects to report as construction in progress this year. A street improvement project is being developed.

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,409,837	\$ 1,409,837	\$ 792,616	\$ 792,616	\$ 2,202,453	\$ 2,202,453
Building	7,862,331	7,853,196	2,424,944	2,424,944	10,287,275	10,278,140
Improvements	1,083,469	1,045,516	-	-	1,083,469	1,045,516
Vehicles	3,933,122	3,709,402	1,617,206	1,617,206	5,550,328	5,326,608
Equipment	1,539,730	856,833	1,836,219	1,823,020	3,375,949	2,679,853
Streets and bridges	9,526,623	9,134,111	-	-	9,526,623	9,134,111
System improvements	-	-	32,216,046	31,819,591	32,216,046	31,819,591
Accumulated depreciation	(7,918,008)	(7,066,823)	(14,431,829)	(13,619,831)	(22,349,837)	(20,686,654)
Total	<u>\$ 17,437,104</u>	<u>\$ 16,942,072</u>	<u>\$ 24,455,202</u>	<u>\$ 24,857,546</u>	<u>\$ 41,892,306</u>	<u>\$ 41,799,618</u>

Major capital asset projects and purchases during the fiscal year included the following:

- 800mHz radio system for the Police and Fire Departments \$508,152
- Pickup truck, trailers (2), mowers (2) for the Parks crews \$47,194
- Library Kiosk \$11,188
- Van (15 passenger) for Rec Center after school program \$33,633
- Ford F-250 for Animal Control \$30,592
- Payments to County regarding Hickory Tree Road \$286,679
- Water Tank and other various Utility system improvements \$396,455
- Mower for Utility Fund \$13,199

Additional information about the City's capital assets can be found on pages 36-37 of this report.

City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2015

Long-term debt: A summary of the City's total outstanding debt follows:

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 5,915,000	\$ 6,345,000	\$ -	\$ -	\$ 5,915,000	\$ 6,345,000
Revenue bonds	-	-	8,710,000	9,370,000	8,710,000	9,370,000
Capital leases	106,784	179,662	-	-	106,784	179,662
Net pension liability	5,357,522	5,536,967	1,205,443	1,245,817	6,562,965	6,782,784
Total	\$ 6,021,784	\$ 6,524,662	\$ 8,710,000	\$ 9,370,000	\$ 14,731,784	\$ 15,894,662

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation. The Attorney General of the State of Texas permits an allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation bonds debt service. The FY 2015 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.088232, which is significantly below the maximum allowable tax rate.

As of September 30, 2015, the City's total outstanding debt has decreased by \$1,162,878, or 7.3 percent from the prior fiscal year. The decrease in outstanding debt is attributed to the regularly scheduled payments and no additional bonds sold or leases entered into.

The City received a TWO STEP increase to its bond rating from Standard and Poor's, from A- to A+. Additional information about the City's long-term debt can be found on pages 38-41 of this report.

Economic Factors and the Next Fiscal Year's Budget and Rates

Per the Bureau of Labor Statistics the DFW Metroplex December unemployment rate fell to 3.7% from 4.0% the year before. Property tax values and sales tax collections were slightly higher as the region continues to show slow, but steady growth.

The Property Tax rate for Fiscal Year 2015 was \$0.803 per \$100 of assessed value. The budget for Fiscal Year 2016 included the same rate of \$0.803 per \$100 of assessed value.

Requests for Information

The financial report is designed to provide a general overview of the City of Balch Spring's finances.

Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Director of Finance, City of Balch Springs, 13503 Alexander Rd, Balch Springs, TX 75181-3401 or by email at financemanager@cityofbalchsprings.com.

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Basic Financial Statements

City of Balch Springs, Texas
Statement of Net Position
September 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,380,560	\$ 1,353,330	\$ 4,733,890	\$ 2,835,519
Investments	-	1,416,239	1,416,239	-
Receivables, net of allowance				
<i>Ad valorem</i> taxes, net	1,230,084	-	1,230,084	-
Sales tax	669,016	-	669,016	267,606
Fines	330,369	-	330,369	-
Notes	-	-	-	300,000
Accounts	-	1,101,407	1,101,407	-
Other	133,806	-	133,806	25,035
Due from other governments	-	-	-	-
Internal balances	-	-	-	-
Due from component unit	10,426	-	10,426	-
Prepaid insurance	7,233	10,078	17,311	-
Inventory	-	187,816	187,816	-
Restricted investments	-	2,713,734	2,713,734	-
Capital assets, net of accumulated depreciation				
Non-depreciable	1,409,837	792,615	2,202,452	1,191,183
Depreciable	16,027,267	23,662,587	39,689,854	-
Total assets	<u>23,198,598</u>	<u>31,237,806</u>	<u>54,436,404</u>	<u>4,619,343</u>
Deferred Outflows of Resources				
Employer contributions - Pensions	893,918	201,132	1,095,050	22,348
Investment return difference - Pensions	152,856	34,393	187,249	3,822
Total deferred outflows of resources	<u>1,046,774</u>	<u>235,525</u>	<u>1,282,299</u>	<u>26,170</u>
Liabilities				
Accounts payable	949,337	770,185	1,719,522	32,639
Accrued liabilities	1,187,759	71,924	1,259,683	8,803
Accrued interest payable	30,668	28,334	59,002	1,931
Other liabilities	94,982	340,944	435,926	-
Long-term liabilities				
Due within one year	659,880	791,810	1,451,690	286,515
Due in more than one year	7,428,879	8,178,987	15,607,866	1,593,635
Net pension liability	5,357,522	1,205,443	6,562,965	133,938
Total liabilities	<u>15,709,027</u>	<u>11,387,627</u>	<u>27,096,654</u>	<u>2,057,461</u>
Deferred Inflows of Resources				
Experience difference - Pensions	11,005	2,475	13,480	276
Total deferred inflows of resources	<u>11,005</u>	<u>2,475</u>	<u>13,480</u>	<u>276</u>
Net Position				
Net investment in capital assets	11,003,734	16,617,172	27,620,906	13,118
Restricted for				
Debt service	189,428	618,954	808,382	-
Housing program	14,940	-	14,940	-
Construction	832,452	750,401	1,582,853	-
Public safety	405,047	-	405,047	-
Culture and recreation	8,858	-	8,858	-
Economic development	102,273	-	102,273	-
Other	-	34,160	34,160	-
Unrestricted	(4,031,392)	2,062,542	(1,968,850)	2,574,658
Total net position	<u>\$ 8,525,340</u>	<u>\$ 20,083,229</u>	<u>\$ 28,608,569</u>	<u>\$ 2,587,776</u>

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City of Balch Springs, Texas
Statement of Activities
Year Ended September 30, 2015

Functions/Program	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,735,448	\$ 1,139,036	\$ -	\$ -
Public safety	9,165,576	237,606	303,240	-
Public works	3,322,133	65,659	143,020	320,729
Community development and recreation	999,508	19,502	665,869	-
Interest on long-term debt	164,035	-	-	-
Total governmental activities	<u>15,386,700</u>	<u>1,461,803</u>	<u>1,112,129</u>	<u>320,729</u>
Business-type activities				
Utility fund	9,217,866	10,579,107	-	-
Total business-type activities	<u>9,217,866</u>	<u>10,579,107</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 24,604,566</u>	<u>\$ 12,040,910</u>	<u>\$ 1,112,129</u>	<u>\$ 320,729</u>
Component units				
Balch Springs Industrial and Economic Development Corporation	\$ 832,286	\$ -	\$ -	\$ -
Balch Springs Community and Economic Development Corporation	419,489	-	-	-
Total component units	<u>\$ 1,251,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues
 Taxes
 Property taxes
 Sales taxes
 Franchise taxes
 Other local taxes
 Sale of Minor equipment
 Interest on investments
 Miscellaneous
 Transfers

Total general revenues and transfers

Change in Net Position

Net Position, As Previously Reported

Correction of Accounting Error

Change in Accounting Principle

Net Position, Beginning of Year, as restated

Net Position, End of Year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (596,412)	\$ -	\$ (596,412)	\$ -
(8,624,730)	-	(8,624,730)	-
(2,792,725)	-	(2,792,725)	-
(314,137)	-	(314,137)	-
(164,035)	-	(164,035)	-
<u>(12,492,039)</u>	<u>-</u>	<u>(12,492,039)</u>	<u>-</u>
-	1,361,241	1,361,241	-
-	1,361,241	1,361,241	-
<u>(12,492,039)</u>	<u>1,361,241</u>	<u>(11,130,798)</u>	<u>-</u>
-	-	-	(832,286)
-	-	-	(419,489)
-	-	-	(1,251,775)
\$ 6,899,046	\$ -	\$ 6,899,046	\$ -
3,835,671	-	3,835,671	1,534,268
990,186	-	990,186	-
10,579	-	10,579	-
8,336	-	8,336	-
5,042	5,043	10,085	19,295
285,471	147,155	432,626	12,175
1,580,000	(1,580,000)	-	-
<u>13,614,331</u>	<u>(1,427,802)</u>	<u>12,186,529</u>	<u>1,565,738</u>
1,122,292	(66,561)	1,055,731	313,963
<u>12,095,312</u>	<u>21,201,249</u>	<u>33,296,561</u>	<u>2,390,641</u>
(458,689)	-	(458,689)	-
<u>(4,233,575)</u>	<u>(1,051,459)</u>	<u>(5,285,034)</u>	<u>(116,828)</u>
<u>7,403,048</u>	<u>20,149,790</u>	<u>27,552,838</u>	<u>2,273,813</u>
<u>\$ 8,525,340</u>	<u>\$ 20,083,229</u>	<u>\$ 28,608,569</u>	<u>\$ 2,587,776</u>

City of Balch Springs, Texas
Balance Sheet – Governmental Funds
September 30, 2015

Assets	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 1,716,066	\$ 1,664,494	\$ 3,380,560
Receivables (net of allowance for uncollectibles)			
Taxes	1,009,811	220,273	1,230,084
Sales tax	669,016	-	669,016
Fines	330,369	-	330,369
Other	133,806	-	133,806
Due from			
Other governments	10,426	-	10,426
Prepaid items	<u>7,233</u>	<u>-</u>	<u>7,233</u>
 Total assets	 <u><u>\$ 3,876,727</u></u>	 <u><u>\$ 1,884,767</u></u>	 <u><u>\$ 5,761,494</u></u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts and contracts payable	\$ 943,275	\$ 6,062	\$ 949,337
Accrued liabilities	486,782	242,288	729,070
Due to other governments	<u>94,982</u>	<u>-</u>	<u>94,982</u>
 Total liabilities	 <u>1,525,039</u>	 <u>248,350</u>	 <u>1,773,389</u>
Deferred inflows of resources			
Unavailable revenues property taxes	425,343	83,419	508,762
Unavailable revenues court fines	<u>316,604</u>	<u>-</u>	<u>316,604</u>
 Total deferred inflow of resources	 <u>741,947</u>	 <u>83,419</u>	 <u>825,366</u>
Fund balances			
Nonspendable for prepaid items	7,233	-	7,233
Restricted for			
Debt service	-	189,428	189,428
Housing program	-	14,940	14,940
Street maintenance	-	832,452	832,452
Municipal court	-	-	-
Public safety	-	405,047	405,047
Culture and recreation	-	8,858	8,858
Economic development	-	102,273	102,273
Unassigned	<u>1,602,508</u>	<u>-</u>	<u>1,602,508</u>
 Total fund balances	 <u>1,609,741</u>	 <u>1,552,998</u>	 <u>3,162,739</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 3,876,727</u></u>	 <u><u>\$ 1,884,767</u></u>	 <u><u>\$ 5,761,494</u></u>

City of Balch Springs, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2015

Total fund balances – governmental funds		\$ 3,162,739
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		17,437,104
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(30,668)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		825,366
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Employer contributions	893,918	
Investment return difference (GASB 68)	152,856	
Experience difference (GASB 68)	<u>(11,005)</u>	<u>1,035,769</u>
Contingent liabilities are estimated and are included only in the government-wide statement of activities as they are not due and payable.		(458,689)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities and related deferred outflows of resources at year-end consist of:		
General obligation bonds	(5,915,000)	
Premiums on bond debt	(411,586)	
Compensated absences	(1,655,389)	
Capital leases	(106,784)	
Pension obligation	<u>(5,357,522)</u>	<u>(13,446,281)</u>
Net position of governmental activities		<u>\$ 8,525,340</u>

City of Balch Springs, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes and fees	\$ 9,791,789	\$ 1,961,414	\$ 11,753,203
Licenses and permits	358,030	-	358,030
Intergovernmental	637,501	607,714	1,245,215
Charges for services	100,122	22,542	122,664
Fines and forfeits	848,023	-	848,023
Interest	4,275	767	5,042
Miscellaneous	127,447	109,543	236,990
	<u>11,867,187</u>	<u>2,701,980</u>	<u>14,569,167</u>
Total revenues			
Expenditures			
Current			
General government	1,164,734	-	1,164,734
Public safety	8,542,047	641,574	9,183,621
Public works	2,325,988	636,597	2,962,585
Community development and recreation	811,164	40,410	851,574
Capital outlay	813,054	212,434	1,025,488
Debt service			
Principal retirement	7,775	495,103	502,878
Interest and fiscal charges	4,069	195,718	199,787
	<u>13,668,831</u>	<u>2,221,836</u>	<u>15,890,667</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(1,801,644)</u>	<u>480,144</u>	<u>(1,321,500)</u>
Other financing sources (uses)			
Operating transfers in	1,676,171	-	1,676,171
Operating transfers out	-	(96,171)	(96,171)
Insurance recoveries	28,792	19,689	48,481
Sale of minor equipment	8,336	-	8,336
	<u>1,713,299</u>	<u>(76,482)</u>	<u>1,636,817</u>
Total other financing sources (uses)			
Net Change in Fund Balances	(88,345)	403,662	315,317
Fund Balances, Beginning of Year	<u>1,698,086</u>	<u>1,149,336</u>	<u>2,847,422</u>
Fund Balances, End of Year	<u>\$ 1,609,741</u>	<u>\$ 1,552,998</u>	<u>\$ 3,162,739</u>

City of Balch Springs, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2015

Net change in fund balances – total governmental funds	\$	315,317
Amounts reported for governmental activities in the statement of activities are different because:		
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. This is the amount of capital assets recorded in the current period.		1,025,488
Some revenues reported in the statement of activities do not provide the use of current financial resources and, therefore, are not reported as revenues in governmental funds. These revenues were capital contributions of completed construction projects from component units.		320,729
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(851,185)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	\$ 430,000	
Capital leases	<u>72,878</u>	502,878
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources.		353,166
Current year change in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(560,369)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(1,453)
Certain expenses in the government-wide statement of activities that do not require current financial resources are not reported as expenses in the governmental funds. This is the net change in these expenses for the year.		<u>17,721</u>
Change in net position of governmental activities	\$	<u><u>1,122,292</u></u>

City of Balch Springs, Texas
Statement of Net Position
Proprietary Funds
September 30, 2015

	Utility Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,353,330
Investments	1,416,239
Restricted investments	2,338,630
Receivables (net of allowance for uncollectibles)	
Accounts	1,101,407
Prepaid expenses	10,078
Inventory	187,816
Total current assets	6,407,500
Noncurrent Assets	
Restricted investments	375,104
Capital Assets	
Land	792,615
Buildings	2,424,944
Machinery, equipment and vehicles	3,453,425
Water distribution system	32,216,047
Less accumulated depreciation	(14,431,829)
Total noncurrent assets	24,830,306
Total assets	31,237,806
Deferred Outflows of Resources	
Employer contributions—Pensions	201,132
Investment return difference—Pensions	34,393
Total deferred outflows of resources	235,525
Liabilities	
Current Liabilities	
Accounts payable	770,185
Accrued wages	71,924
Compensated absences	101,008
Payable from restricted resources	
Bonds payable	685,000
Unamortized bond premium	5,802
Accrued interest payable	28,334
Customer meter deposits	340,944
Total current liabilities	2,003,197
Noncurrent Liabilities	
Bonds payable	8,025,000
Unamortized bond premium	29,009
Net pension liability	1,205,443
Compensated absences	124,978
Total noncurrent liabilities	9,384,430
Total liabilities	11,387,627
Deferred Inflows of Resources	
Experience difference—Pensions	2,475
Net Position	
Net investment in capital assets	16,611,372
Restricted for:	
Debt service	618,954
Construction	750,401
Unrestricted	2,102,502
Total net position	\$ 20,083,229

City of Balch Springs, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2015

	Utility Fund
Operating Revenues	
Charges for services	\$ 10,579,107
Miscellaneous	106,123
Total operating revenues	10,685,230
Operating Expenses	
Personnel services	1,891,386
Professional services	140,513
Materials and supplies	97,643
Utilities	228,500
Repairs and maintenance	277,440
Minor equipment and rental	57,061
Benefits provided	584,645
Insurance	51,886
Purchase of water	941,622
Sewage	1,401,138
Solid waste	2,185,367
Other services and charges	193,217
Depreciation and amortization	811,998
Total operating expenses	8,862,416
Operating Income	1,822,814
Nonoperating Revenues (Expenses)	
Interest revenue	5,043
Interest and fiscal charges	(355,450)
Total nonoperating revenues (expenses)	(350,407)
Income Before Transfers and Contributions	1,472,407
Capital Contributions	41,032
Transfers Out	(1,580,000)
Change in Net Position	(66,561)
Net Position, Beginning of Year, As Previously Reported	21,201,249
Change in Accounting Principle	(1,051,459)
Net Position, Beginning of Year, As Restated	20,149,790
Net Position, End of Year	\$ 20,083,229

City of Balch Springs, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2015

	Business-type Activities Utility Enterprise Fund
Operating Activities	
Cash received from customers	\$ 10,478,398
Cash paid to employees for services	(1,985,889)
Cash paid for goods and services	(6,233,379)
	2,259,130
Net cash provided by operating activities	
Noncapital Financing Activities	
Property taxes	(34,160)
Transfers of cash to other funds	(501,471)
	(535,631)
Net cash used in noncapital financing activities	
Capital and Related Financing Activities	
Principal paid on revenue bond maturities	(660,000)
Interest paid	(363,177)
Acquisition of capital assets	(368,622)
	(1,391,799)
Net cash used in capital and related financial activities	
Investing Activities	
Purchase of investments	(2,473)
Investment income	5,043
	2,570
Net cash used in investing activities	
Net Decrease in Cash and Cash Equivalents	334,270
Cash and Cash Equivalents, Beginning of Year	1,019,060
Cash and Cash Equivalents, End of Year	\$ 1,353,330

	Business-type Activities Utility Enterprise Fund
	<hr/>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	\$ 1,822,814
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	811,998
Change in assets and liabilities	
Decrease in accounts receivable	(228,765)
Decrease in inventories	(58,755)
Decrease in prepaid expenses	(10,078)
Increase in accounts payable and accrued liabilities	(12,288)
Decrease in compensated absences	(87,729)
Increase in customer deposits	21,933
	<hr/>
Net cash provided by operating activities	<u><u>\$ 2,259,130</u></u>

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City of Balch Springs, Texas
Statement of Net Position
Component Units
September 30, 2015

	Balch Springs Industrial and Economic Development Corporation	Balch Springs Community and Economic Development Corporation	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,150,325	\$ 685,194	\$ 2,835,519
Receivables			
Sales tax	133,803	133,803	267,606
Notes	-	300,000	300,000
Interest	-	25,035	25,035
Total current assets	<u>2,284,128</u>	<u>1,144,032</u>	<u>3,428,160</u>
Noncurrent Assets			
Capital assets not being depreciated			
Land	<u>1,191,183</u>	<u>-</u>	<u>1,191,183</u>
Total noncurrent assets	<u>1,191,183</u>	<u>-</u>	<u>1,191,183</u>
Total assets	<u>3,475,311</u>	<u>1,144,032</u>	<u>4,619,343</u>
Deferred Outflows of Resources			
Employer contributions - Pensions	11,174	11,174	22,348
Investment return difference - Pensions	<u>1,911</u>	<u>1,911</u>	<u>3,822</u>
Total deferred outflows of resources	<u>13,085</u>	<u>13,085</u>	<u>26,170</u>
Liabilities			
Current liabilities			
Accounts payable	22,409	10,230	32,639
Accrued liabilities	4,188	4,615	8,803
Accrued interest payable	-	1,931	1,931
Current portion of compensated absences	758	758	1,515
Current portion of bonds payable	<u>120,000</u>	<u>165,000</u>	<u>285,000</u>
Total current liabilities	<u>147,355</u>	<u>182,534</u>	<u>329,888</u>
Noncurrent liabilities			
Compensated absences	6,818	6,818	13,635
Bonds payable	1,245,000	335,000	1,580,000
Net pension liability	<u>66,969</u>	<u>66,969</u>	<u>133,938</u>
Total noncurrent liabilities	<u>1,318,787</u>	<u>408,787</u>	<u>1,727,573</u>
Total liabilities	<u>1,466,141</u>	<u>591,320</u>	<u>2,057,461</u>
Deferred Inflows of Resources			
Experience difference - Pensions	<u>138</u>	<u>138</u>	<u>276</u>
Net Position			
Net investment in capital assets	13,118	-	13,118
Unrestricted	<u>2,008,999</u>	<u>565,659</u>	<u>2,574,658</u>
Total net position	<u>\$ 2,022,117</u>	<u>\$ 565,659</u>	<u>\$ 2,587,776</u>

City of Balch Springs, Texas
Statement of Activities
Component Units
Year Ended September 30, 2015

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units			
Balch Springs Industrial and Economic Development Corporation	\$ 832,286	\$ -	\$ -
Balch Springs Community and Economic Development Corporation	419,489	-	-
Total component units	\$ 1,251,775	\$ -	\$ -
		General revenues	
		Taxes	
		Sales taxes	
		Investment earnings	
		Miscellaneous	
		Total general revenues and transfers	
		Change in Net Position	
		Net Position, As Previously Reported	
		Change in Accounting Principle	
		Net Position, Beginning of Year	
		Net Position, End of Year	

Component Units		
Balch Springs Industrial and Economic Development Corporation	Balch Springs Community and Economic Development Corporation	Total
\$ (832,286)	\$ -	\$ (832,286)
-	(419,489)	(419,489)
(832,286)	(419,489)	(1,251,775)
767,134	767,134	1,534,268
2,754	16,541	19,295
9,692	2,483	12,175
779,580	786,158	1,565,738
(52,706)	366,669	313,963
2,133,237	257,404	2,390,641
(58,414)	(58,414)	(116,828)
2,074,823	198,990	2,273,813
\$ 2,022,117	\$ 565,659	\$ 2,587,776

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City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2015

Note 1: Significant Accounting Policies

General Statement

The accounting policies of the City of Balch Springs (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures and expenses. Actual results could vary from the estimates that are used. Significant policies of the City are described below.

Reporting Entity

The City, originally incorporated in 1990, is a municipal corporation incorporated under Article XI of the *Constitution of the State of Texas* (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the public safety (policy and fire), water and sewer utilities, public works, library, parks and recreation and general administrative services of the City, and its residents. The City is governed by an elected mayor and a six-member council and has the authority to make decisions, appoint administrators and managers and significantly influence operations. It also has the primary accountability for fiscal matters.

The City's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14 and GASB Statement 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either (1) the primary government must be able to impose its will or (2) the primary government may potentially benefit financially or be financially responsible for the component unit. The Balch Springs Industrial and Economic Development Corporation 4A (4A) and the Balch Springs Community and Economic Development Corporation 4B (4B) are nonprofit economic development corporations formed in October of 1982 and 1997, respectively, under the *Development Corporation Act of 1979*. Both 4A and 4B are organized exclusively for the purposes of benefiting and accomplishing public purposes and to act on behalf of the City. This includes the construction and renovation of streets and municipal buildings, the acquisition, improvement and operation of parks, as well as, other economic development purposes. The affairs of these corporations are managed by two separate Boards of Directors, which are appointed by the City Council. The City Council approves annual budgets and issuances of debt. 4A and 4B have been discretely presented in the accompanying financial statements. Separate financial statements of the individual component units are not available.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, 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 net position presents information on all the City's assets, deferred outflows, and liabilities, with the difference 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.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. "Direct expenses" are those that are clearly identifiable with a specific program of City government. "Program revenues" include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for Governmental Funds and Proprietary Funds. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of Governmental Funds is on the sources, uses and balances of current financial resources. The City has presented the following major Governmental Fund:

General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2015

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major Proprietary Fund:

Utility Fund – The Utility Fund is used to account for the acquisition, operation and maintenance of municipal water, sewer utility and solid waste services, supported primarily by user charges to the public.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for the Proprietary Funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balances cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus

Measurement focus is the accounting convention, which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or "capital maintenance" information per fund.

The government-wide statements and fund financial statements for Proprietary Funds are reported using the economic resources measurement focus, which means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position.

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2015

Governmental Fund financial statements are reported using the current financial resources measurement focus, which means only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current position) is considered a measure of “available spendable resources.” Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a “net income and capital maintenance” measurement focus. This means that all assets, liabilities, equity, revenues, expenses and transfers relating to the activity of a Proprietary Fund are accounted for through the Proprietary Fund. The measurement focus is upon the determination of net income, financial position and cash flows.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts, and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for Proprietary Funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental Fund financial statements are reported using the modified accrual basis for accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both 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 be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Ad valorem, franchise and sales tax, and court fine revenues recorded in the General Fund are considered to be susceptible to accrual. Licenses and permits, charges for services (except for sanitation services), other fines and forfeits, and rents and concessions are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings and intergovernmental revenue are recorded as earned since they are measurable and available.

Cash and Cash Equivalents

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.

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2015

Investments

Substantially all operating cash, deposits and short-term investments are maintained in consolidated cash and investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Investments in U.S. Treasury and agency obligations with maturities of one year or less when purchased are reported at amortized cost. Nonparticipating contracts are reported at cost. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the state of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds and certificates of deposits within established criterion.

Allowance for Uncollectible Accounts

An allowance for uncollectible taxes including penalties and interest, and water and sewer billed receivables is provided based on an analysis of historical trends. The allowances at September 30, 2014, were \$88,370 for uncollectible taxes, \$775,831 for water and sewer billings and \$742,532 for court fees and fines.

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Transactions Between Funds

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are recorded as transfers.

Capital Assets

Capital assets, which include property, plant equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for Proprietary Funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized on Proprietary Fund type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expenses incurred from the date of the borrowing unit until completion of the project with interest earned on invested proceeds over the same period.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Assets capitalized have a useful life of over one year. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. Estimated useful lives of major categories of property are:

Vehicles	7 – 15 years
Furniture and equipment	5 – 15 years
Machinery and equipment	15 years
Buildings and improvements	10 – 50 years

Accumulated Unpaid Vacations, Sick Leave and Other Employee Benefit Amounts

The City’s Police and Fire Department employees (civil service) accumulate 10 sick hours and 15 sick hours per month, respectively. The leave may be accumulated without limit. Upon termination, the civil service employees will receive lump sum payment for the full amount of sick days, if not more than 90 days are accumulated. If accumulation is in excess of 90 days, the lump sum payment is limited to that amount which would remain if the employee was allowed to use 90 days in the last six months of employment.

All other City employees accumulate 10 hours of sick leave per month. Non-civil service employees are required to be a City employee for at least 10 years to receive pay for unused sick leave. This pay is limited to 90 days.

Vacation time for the City’s Police and Fire Department employees will accumulate up to 15 days (120 hours) per year with accumulation from year to year only upon the approval of the City Council. All other employees will accrue vacation according to length of service, and accumulation from year to year will be only upon the approval of the City Administrator. Upon termination, all employees will be paid for their accumulated vacation time. At September 30, 2015, the liability for accrued compensated absences is approximately \$1,897,000. The amount expected to be paid from current resources is immaterial.

Defined Benefit Pension Plans

For purposes of measuring the net pension liability, pension related deferred outflows of resources and deferred inflows of resources and pension expense, City specific information about its fiduciary net position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as reported by TMRS. For this purpose, plan contributions are recognized in the period 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. Information regarding the City’s total pension liability is obtained from TMRS through a report prepared for the City by TMRS’ consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27*.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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. The City has the following items that qualify for reporting in this category.

- Employer Contributions – Pensions – These contributions are those made after the measurement date through the fiscal year end (January 1st – September 30th) resulting in a cash outlay not yet recognized under GASB 68. This amount is deferred and recognized in the following fiscal year.
- Investment difference – Pensions – These amounts represent the difference in projected and actual earnings on pension plan investments. These differences are deferred and amortized over a closed five year period.

In addition to liabilities, the statement of net position and/or balance sheet 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 City has the following items that qualify for reporting in this category.

- Experience difference – Pensions – These amounts represent the difference in expected and actual pension experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Unavailable revenue – This amount represents uncollected property taxes and court fines. This amount is deferred and recognized once payments are made in the following fiscal year.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

New Pronouncements

The City has adopted and implemented the following GASB statements which have become effective for the fiscal year 2015:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended.

- This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date.
- The adoption of this standard resulted in a restatement of governmental and business-type activities and component units beginning net position balances through recognition of the beginning net pension liability and the beginning deferred outflow of resources for employer contributions made after the measurement date. Adoption of GASB 68 resulted in the following adjustments to net position at October 1, 2014:

	Government-wide Statement of Activities		
	Governmental Activities	Business-type Activities	Component Units
Net position at October 1, 2014, as previously reported	\$ 12,095,312	\$ 21,201,249	\$ 2,390,641
Write-off of net pension obligation as of October 1, 2014	439,581	-	-
Recording of net pension liability as of October 1, 2014	(5,536,967)	(1,245,817)	(138,424)
Deferral for pension contributions made after the measurement date	863,811	194,358	21,596
Net position at October 1, 2014, as restated before the prior period adjustment discussed below	\$ 7,861,737	\$ 20,149,790	\$ 2,273,813

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

- This statement requires, on adoption of GASB Statement No. 68, the deferral of employer contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the City’s fiscal year.

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2015

Correction of Accounting Error

Governmental Activities – In fiscal years ended September 30, 2010 through September 30, 2014, reports to the State under the Photographic Enforcement System were not prepared as required by *Texas Transportation Code 7i.707*. This reporting error resulted in an estimated amount of \$458,689 due to the State which has been recognized in accrued liabilities. Under this code section, the State has the ability to charge a penalty up to twice the amount the City retained in excess of the amount authorized by the above code section. At this time, management has not deemed an assessment of such penalty as probable and, accordingly, has not recorded any such amount.

The City has corrected this error by decreasing beginning governmental activities net position as of October 1, 2014, by \$458,689. The effect on the 2014 financial statements would have been to record a liability of \$458,689, reduce beginning net position by \$291,371, and reduce change in net position by \$167,318.

Note 2: Cash and Investments

At year-end, the carrying amount of the City's cash and cash equivalents was \$11,736,830 (composed of \$8,901,311 related to the primary government and \$2,835,519 related to discretely presented component units) and the bank balances were \$9,501,291 including \$2,713,734 of restricted investments of the water and sewer fund. The bank balances on September 30, 2015, were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and municipal pools. During the year ended September 30, 2015, the City did not own any types of securities other than those permitted by the statute.

Governmental investments are categorized as either: (1) insured or registered for which securities are held by the City or its agent in the City's name (2) uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the counterparty or its trust department or agent, but not in the City's name.

During the year ended September 30, 2015, the City invested in TexPool and LOGIC funds. TexPool and LOGIC are investment funds authorized by the Texas Legislature. The Texas Treasury Safekeeping Trust Company is the trustee and is a limited purpose trust company authorized pursuant to *Texas Government Code*. TexPool and LOGIC use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool and LOGIC is the same as the market value of TexPool and LOGIC shares. TexPool and LOGIC are rated as an AAA money market fund by Standard and Poor's and Moody's.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Interest Rate Risk

The strategy of the City is to maintain sufficient liquidity in its portfolio and structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

Custodial Credit Risk

Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases and contracts with a third-party safekeeping agent.

Credit Risk

In compliance with the City's Investment Policy as of September 30, 2015, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, broker/dealers and advisors with which the City does business and diversifying the investment portfolio so that potential losses on individual securities are minimized.

Investments as of September 30, 2015, are as follows:

	Carrying Amount	Fair Value	Weighted- Average Maturity (Years)
Primary Government			
TexPool	\$ 4,253,109	\$ 4,253,109	0.003
LOGIC	<u>109,523</u>	<u>109,523</u>	0.003
Total primary government	<u>4,362,632</u>	<u>4,362,632</u>	
Component Units			
TexPool	<u>100,516</u>	<u>100,516</u>	0.003
Total component units	<u>100,516</u>	<u>100,516</u>	
Total	<u><u>\$ 4,463,148</u></u>	<u><u>\$ 4,463,148</u></u>	

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Deposits and investments as of September 30, 2015, are as follows:

Primary Government	
Deposits	\$ 4,538,679
Investments	1,648,898
Restricted investments	<u>2,713,734</u>
Total primary government	<u>8,901,311</u>
Component Units	
Deposits	2,735,003
Investments	<u>100,516</u>
Total component units	<u>2,835,519</u>
Total cash and cash equivalents	<u><u>\$ 11,736,830</u></u>

Note 3: Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1, and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1, of the following year. Tax collections for the year ended September 30, 2015, were 97.6% of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days are recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of *the Texas Constitution* applicable to cities with populations greater than 5,000 limits the *ad valorem* tax rate to \$2.50 per \$100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of \$1.50 per \$100 assessed valuation. For the year ended September 30, 2015, the City had a combined tax rate to finance general government service and debt service of \$.803 per \$100.00 assessed valuation.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

Note 4: Interfund Transactions

Interfund transfers represent payments between funds that are designed to cover various operating and overhead expenses and to allocate charges for services performed by one fund on behalf of another fund.

At September 30, 2015, interfund balances and transactions, excluding discretely presented component units were as follows:

	Transfer In
	General
Transfers out	
Utility Fund	\$ 1,580,000
Nonmajor governmental	96,171
Total transfers out	\$ 1,676,171

Note 5: Interfund Assets/Liabilities

Interfund balances reflect payments made by one fund on behalf of another fund for which cash settlement has not been made as of the end of the accounting period. Amounts due to and from other funds will be settled within the next accounting period. As of September 30, 2015, there were no interfund balances.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Note 6: Fixed Assets

Governmental Funds

Capital assets of the Governmental Activities are as follows:

	Balance September 30, 2014	Increases	Decreases	Transfers	Balance September 30, 2015
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 1,409,837	\$ -	\$ -	\$ -	\$ 1,409,837
Total capital assets not being depreciated	<u>1,409,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,409,837</u>
Capital assets being depreciated					
Buildings	7,853,196	9,135	-	-	7,862,331
Improvements	1,045,516	37,953	-	-	1,083,469
Equipment and furniture	856,833	682,897	-	-	1,539,730
Vehicles	3,709,402	223,720	-	-	3,933,122
Infrastructure	9,134,111	392,512	-	-	9,526,623
Total capital assets being depreciated	22,599,058	1,346,217	-	-	23,945,275
Less accumulated depreciation	<u>7,066,823</u>	<u>851,185</u>	<u>-</u>	<u>-</u>	<u>7,918,008</u>
Total capital assets being depreciated, net	<u>15,532,235</u>	<u>495,032</u>	<u>-</u>	<u>-</u>	<u>16,027,267</u>
Governmental activities capital assets, net	<u>\$ 16,942,072</u>	<u>\$ 495,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,437,104</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

General and administrative	\$ 10,345
Public safety	333,358
Public works	359,548
Culture and recreation	<u>147,934</u>
Total depreciation expense – governmental activities	<u>\$ 851,185</u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Enterprise Fund

Capital assets of the Enterprise Fund are as follows:

	Balance September 30, 2014	Increases	Decreases	Transfers	Balance September 30, 2015
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 263,984	\$ -	\$ -	\$ -	\$ 263,984
Right of way easements	528,632	-	-	-	528,632
Total capital assets not being depreciated	792,616	-	-	-	792,616
Capital assets being depreciated					
Buildings	2,424,944	-	-	-	2,424,944
Equipment	3,440,226	13,199	-	-	3,453,425
Infrastructure and improvements	31,819,591	396,455	-	-	32,216,046
Total capital assets being depreciated	37,684,761	409,654	-	-	38,094,415
Less accumulated depreciation	13,619,831	811,998	-	-	14,431,829
Total capital assets being depreciated, net	24,064,930	(402,344)	-	-	23,662,586
Business-type activities capital assets, net	<u>\$ 24,857,546</u>	<u>\$ (402,344)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,455,202</u>

Depreciation expense of \$811,998 was charged as a direct expense to the Utility fund within the primary government.

Discretely Presented Component Units

Capital assets of the Balch Springs Community and Economic Development Corporation are as follows:

	Balance September 30, 2014	Increases	Decreases	Balance September 30, 2015
Balch Springs Community and Economic Development Corporation				
Capital assets not being depreciated				
Land	\$ 515,731	\$ 862,387	\$ (186,935)	\$ 1,191,183
Total capital assets not being depreciated	<u>\$ 515,731</u>	<u>\$ 862,387</u>	<u>\$ (186,935)</u>	<u>\$ 1,191,183</u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Note 7: Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	Balance September 30, 2014 (As Restated)	Additions	Retirements	Balance September 30, 2015	Due Within One-Year
Governmental Activities					
General obligation bonds	\$ 6,345,000	\$ -	\$ (430,000)	\$ 5,915,000	\$ 440,000
Premiums on bond debt	445,885	-	(34,299)	411,586	34,299
Compensated absences	1,095,020	1,489,544	(929,175)	1,655,389	165,539
Capital leases	179,662	-	(72,878)	106,784	20,042
Net pension liability	5,536,967	-	(179,445)	5,357,522	-
Total governmental activities	<u>\$ 13,602,534</u>	<u>\$ 1,489,544</u>	<u>\$ (1,645,797)</u>	<u>\$ 13,446,281</u>	<u>\$ 659,880</u>
Business-type Activities					
Revenue bonds	\$ 9,370,000	\$ -	\$ (660,000)	\$ 8,710,000	\$ 660,000
Premiums on bond debt	40,612	-	(5,802)	34,810	5,802
Compensated absences	188,737	129,074	(91,825)	225,986	22,599
Net pension liability	1,245,817	-	(40,374)	1,205,443	-
Total business-type activities	<u>\$ 10,845,166</u>	<u>\$ 129,074</u>	<u>\$ (798,001)</u>	<u>\$ 10,176,239</u>	<u>\$ 688,401</u>
Discretely Presented Component unit					
Revenue bonds	\$ 660,000	\$ 1,365,000	\$ (160,000)	\$ 1,865,000	\$ 1,530,000
Compensated absences	17,883	6,291	(9,024)	15,150	1,515
Net pension liability	138,424	-	(4,486)	133,938	-
Total discretely presented component units	<u>\$ 816,307</u>	<u>\$ 1,371,291</u>	<u>\$ (173,510)</u>	<u>\$ 2,014,088</u>	<u>\$ 1,531,515</u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

General long-term debt consists of capital leases, liabilities for accrued vacation leave and general obligation bonds, which are direct obligations, issued on the full faith and credit of the City. Principal and interest payments on the general obligation bonds are secured by *ad valorem* taxes levied on all taxable property within the City, and made in the Debt Service fund. Although these bonds are secured by the full faith and credit of the City, they have no specific claim against Utility Fund assets. Debt service requirements of the Utility fund including principal and interest are secured by operating revenues of the Utility fund. Accordingly, this debt is reflected as an obligation of the Utility Fund. Debt service requirements of the component unit are secured and paid for by sales tax revenues.

General obligation bonds and revenue bonds outstanding at September 30, 2015, consist of the following:

	Governmental Activities	Water and Sewer	Total Primary Government	Component Unit
<u>General Obligation Bonds</u>				
\$7,200,000, 2012 General Obligation Refunding Bonds, due in annual installments through August 1, 2027, 2.00% – 3.50%	\$ 5,915,000	\$ -	\$ 5,915,000	\$ -
	<u>\$ 5,915,000</u>	<u>\$ -</u>	<u>\$ 5,915,000</u>	<u>\$ -</u>
<u>Revenue Bonds</u>				
\$9,750,000, 2008 Revenue Bonds, due in annual installments through September 1, 2032, 4.00% – 5.00%	\$ -	\$ 7,415,000	\$ 7,415,000	\$ -
\$2,570,000, 2011 Revenue Refunding Bonds, due in annual installments through September 1, 2021, 2.00% – 4.00%	-	1,295,000	1,295,000	-
\$1,175,000, 2011 Sales Tax Revenue Refunding Bonds, due in bi-annual installments through August 15, 2018, 3.09%	-	-	-	500,000
\$1,365,000, 2015 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2025, 3.55%	-	-	-	1,365,000
	<u>\$ -</u>	<u>\$ 8,710,000</u>	<u>\$ 8,710,000</u>	<u>\$ -</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,865,000</u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

The annual requirements to amortize the long-term debt as of September 30, 2015, are as follows:

Fiscal Year	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2016	\$ 440,000	\$ 184,125	\$ 624,125
2017	450,000	175,325	625,325
2018	455,000	166,325	621,325
2019	470,000	152,675	622,675
2020	485,000	138,575	623,575
2021-2025	2,585,000	449,700	3,034,700
2026-2027	1,030,000	54,425	1,084,425
Total	<u>\$ 5,915,000</u>	<u>\$ 1,321,150</u>	<u>\$ 7,236,150</u>

Fiscal Year	Revenue Bonds		
	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 685,000	\$ 340,013	\$ 1,025,013
2017	705,000	314,263	1,019,263
2018	725,000	287,638	1,012,638
2019	470,000	261,200	731,200
2020	500,000	243,200	743,200
2021-2025	2,440,000	929,700	3,369,700
2026-2030	2,925,000	413,000	3,338,000
2031	260,000	10,400	270,400
Total	<u>\$ 8,710,000</u>	<u>\$ 2,799,414</u>	<u>\$ 11,509,414</u>

Fiscal Year	Revenue Bonds		
	Discretely Presented Component Units		
	Principal	Interest	Total
2016	\$ 285,000	\$ 56,537	\$ 341,537
2017	285,000	53,236	338,236
2018	295,000	43,877	338,877
2019	130,000	35,500	165,500
2020	135,000	30,885	165,885
2021-2025	735,000	80,053	815,053
Total	<u>\$ 1,865,000</u>	<u>\$ 300,088</u>	<u>\$ 2,165,088</u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Fiscal Year	Capital Leases		
	Governmental Activities		
	Principal	Interest	Total
2016	\$ 20,042	\$ 3,429	\$ 23,471
2017	20,686	2,786	23,472
2018	21,350	2,121	23,471
2019	22,036	1,435	23,471
2020	12,171	728	12,899
Total	<u>\$ 96,285</u>	<u>\$ 10,499</u>	<u>\$ 106,784</u>

Note 8: Retirement Plan

Plan Description

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

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

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

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:

Employee Deposit rate	7%
Matching ratio (City to employee)	2 – 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Membership in the Plan by membership class at December 31, 2014, (measurement date), is as follows:

Inactive employees or beneficiaries currently receiving benefits	75
Inactive employees entitled to but not receiving benefits	100
Active employees	167
Total	342

Contributions

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

Employees are required to contribute 7% of their annual gross earnings during the fiscal year. The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (*i.e.*, December 31, 2008, valuation is effective for the rates beginning January, 2010).

Contributions by the City were \$1,457,638, or 15.8% of the covered payroll of \$9,232,798 as required by the actuarial valuation.

Net Pension Liability

The Total Pension Liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year	
Overall payroll growth	3.0% per year	
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation	

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

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 Table, 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010, valuation. 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. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	100.00%	

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Discount Rate: The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 5%, 6% or 7% 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 plan members. 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.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended September 30, 2015, were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of October 1, 2014	\$ 25,608,176	\$ 18,686,968	\$ 6,921,208
Changes for the year:			
Service cost	1,111,639	-	1,111,639
Interest on total pension liability	1,805,251	-	1,805,251
Effect of plan changes	-	-	-
Effect of difference in expected and actual experience	(17,723)	-	(17,723)
Benefit payments	(749,402)	(749,402)	-
Administrative expenses	-	(11,161)	11,161
Member contributions	-	646,296	(646,296)
Net investment income	-	1,069,250	(1,069,250)
Employer contributions	-	1,420,005	(1,420,005)
Other	-	(918)	918
Net changes	<u>2,149,765</u>	<u>2,374,070</u>	<u>(224,305)</u>
Balances as of September 30, 2015	<u>\$ 27,757,941</u>	<u>\$ 21,061,038</u>	<u>\$ 6,696,903</u>

Sensitivity to Interest Rate Changes: The following presents the net pension liability of the City calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.0%)	Current Single Rate Assumption (7.0%)	1% Increase (8.0%)
City's net pension liability	<u>\$ 11,601,990</u>	<u>\$ 6,696,903</u>	<u>\$ 2,784,495</u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

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.TMRS.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended September 30, 2015, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$1,018,386, and at September 30, 2015, reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,756
Difference between projected and actual earnings on pension plan investments	191,071	-
Contributions subsequent to the measurement date	1,117,398	-
	\$ 1,308,469	\$ 13,756

At September 30, 2015, the City reported \$1,117,398 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction in the net pension liability at September 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending September 30		
2016	\$	43,801
2017		43,801
2018		43,801
2019		45,912
	\$	177,315

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2015

Note 9: Commitments and Contingencies

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; injuries to employees; and natural disasters. The City is part of the Texas Municipal League Intergovernmental Risk Pool (Pool). Premiums are paid to the Pool, which retain a limit of loss. Reinsurance companies insure the risks beyond those limits. The City retains, as a risk, only the deductible amount of each policy. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

Federal and State Programs

The City participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that if the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2015, may be impaired.

Other Contingencies

There are other claims and pending actions incidental to normal operations of the City other than that included in *Note 1*. In the opinion of the City administration, the City's potential liability in other matters will not have a material impact on the accompanying financial statements.

Note 10: Subsequent Event

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015, meeting determined that they would be changing certain actuarial assumptions including reducing the long-term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015, is not known, the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change. Accordingly, the City has included in its approved fiscal year 2016 budget to continue to fund pension contributions above the required ADC which will help smooth impacts of any increases in the required ADC for fiscal year 2017.

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Required Supplementary Information

City of Balch Springs, Texas

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	2015
Total Pension Liability	
Service cost	\$ 1,111,639
Interest (on the total pension liability)	1,805,251
Changes in benefit terms	-
Differences between expected and actual experience	(17,723)
Benefit payments, including refunds of employee contributions	(749,402)
Net change in total pension liability	2,149,765
Total pension liability – Beginning	25,608,176
Total pension liability – Ending (a)	\$ 27,757,941
Plan Fiduciary Net Position	
Contributions – employer	\$ 1,420,005
Contributions – employee	646,296
Net investment income	1,069,250
Benefit payments, including refunds of employee contributions	(749,402)
Administrative expense	(11,161)
Other	(918)
Net change in plan fiduciary net position	2,374,070
Plan fiduciary net position – Beginning	18,686,968
Plan fiduciary net position – Ending (b)	\$ 21,061,038
City's net pension liability – Ending (a) – (b)	\$ 6,696,903
Plan fiduciary net position as a percentage of the total pension liability	75.87%
Covered employee payroll	\$ 9,232,798
City's net pension liability as a percentage of covered employee payroll	72.53%

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

City of Balch Springs, Texas Schedule of Contributions

	2015
Actuarially determined contribution	\$ 1,444,542
Contributions in relation to the actuarially determined contribution	1,457,638
Contribution deficiency (excess)	\$ (13,096)
Covered-employee payroll	\$ 9,307,619
Contributions as a percentage of covered-payroll	15.66%

Note to schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31, each year and become effective in January, 12 months and a day 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	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
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:

There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

City of Balch Springs, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes and fees	\$ 9,522,000	\$ 9,522,000	\$ 9,791,789	\$ 269,789
Licenses and permits	226,000	226,000	358,030	132,030
Intergovernmental	555,000	585,000	637,501	52,501
Charges for services	187,000	187,000	100,122	(86,878)
Fines and forfeits	976,000	981,000	848,023	(132,977)
Interest	5,000	5,000	4,275	(725)
Miscellaneous	64,100	64,100	127,447	63,347
	<u>11,535,100</u>	<u>11,570,100</u>	<u>11,867,187</u>	<u>297,087</u>
Expenditures				
Current				
General government	1,111,866	1,194,848	1,172,509	22,339
Public safety	8,483,153	8,371,748	8,542,047	(170,299)
Public works	1,964,064	2,212,867	2,325,988	(113,121)
Community development and recreation	1,039,538	1,066,337	811,164	255,173
Capital outlay	437,875	355,173	813,054	(457,881)
Interest and fiscal charges	-	-	4,069	(4,069)
	<u>13,036,496</u>	<u>13,200,973</u>	<u>13,668,831</u>	<u>(467,858)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,501,396)</u>	<u>(1,630,873)</u>	<u>(1,801,644)</u>	<u>(170,771)</u>
Other financing sources				
Operating transfers in	1,676,171	1,676,171	1,676,171	-
Other sources	(84,157)	(7,062)	37,128	44,190
	<u>1,592,014</u>	<u>1,669,109</u>	<u>1,713,299</u>	<u>44,190</u>
Net Change in Fund Balances	90,618	38,236	(88,345)	(126,581)
Fund Balance, Beginning of Year	<u>1,698,086</u>	<u>1,698,086</u>	<u>1,698,086</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,788,704</u>	<u>\$ 1,736,322</u>	<u>\$ 1,609,741</u>	<u>\$ (126,581)</u>

City of Balch Springs, Texas
Notes to Required Supplementary Information
September 30, 2015

Budgets and Budgetary Accounting

The City adopts an “appropriated budget” of Governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

An operating budget for the General Fund is legally adopted each fiscal year.

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the City Council by the City Manager.
2. Upon receipt of the budget estimates, the City Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City.
3. A public hearing on the budget is held.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse.

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**Individual Fund and Nonmajor Combining
Statements and Schedules**

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City of Balch Springs, Texas
Nonmajor Governmental Funds
September 30, 2015

Special Revenue Funds

The following funds are Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trust or capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service

To account for the accumulation of financial resources for the payment, interest, and related costs of general long-term debt paid primarily from taxes levied by the City.

Section 8 Housing Assistance Program

To account for the financial activity associated with the Section 8 Housing Assistance Program, a grant program funded by the U.S. Department of Housing and Urban Development.

State Chapter 59 Law Enforcement

To account for the financial activity associated with seizures and forfeitures awarded to the City. Expenditures are restricted to law enforcement purposes.

Department of Justice Grants

To account for the financial activity associated with Department of Justice Grants awarded to the City. Expenditures are restricted to law enforcement purposes.

Department of Justice Forfeitures

To account for the financial activity associated with Department of Justice Grants awarded to the City. Expenditures are restricted to law enforcement purposes.

Red Light Camera

To account for the financial activity associated with the fines assessed from the Red Light Camera program. Expenditures are restricted for “traffic” related items. One-half of the revenue that is not spent is remitted to the State.

Library Donation

To account for the financial activity associated with donations that have been made to the Library.

Municipal Court Technology

To account for the financial activity associated with the portion of citations that have been restricted for technology in Municipal Court.

City of Balch Springs, Texas
Nonmajor Governmental Funds (Continued)
September 30, 2015

Municipal Court Building Security

To account for the financial activity associated with the portion of citations that have been restricted for security in Municipal Court.

Fire Department Lease

To account for the financial activity associated with funds previously designated to assist with the lease payments of Fire Department Equipment.

Hotel Occupancy Tax

To account for the financial activity associated with the seven percent (7%) occupancy tax collected by hotels, motels, and bed & breakfasts located in the City and ETJ. These funds are restricted for cultural and tourism activities.

Emergency Vehicle

To account for the financial activity associated with the proceeds from abandon vehicles sales, impound fees, insurance refunds, and funds previously designated to replace police and fire department vehicles.

Capital Projects Fund

Street Maintenance Fund

To account for the financial activity associated with the one-quarter cent ($\frac{1}{4}\phi$) sales tax dedicated for street maintenance.

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City of Balch Springs, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015

Assets

	Special Revenue					
	Debt Service	Section 8 Housing Assistance Program	State Chapter 59 Law Enforcement	Department of Justice Grants	Department of Justice Forfeitures	Red Light Camera
Cash and cash equivalents	\$ 186,377	\$ 16,630	\$ 103,062	\$ 186	\$ 23,756	\$ 218,880
Receivables (net of allowance for uncollectibles)						
Taxes	86,470	-	-	-	-	-
Total assets	<u>\$ 272,847</u>	<u>\$ 16,630</u>	<u>\$ 103,062</u>	<u>\$ 186</u>	<u>\$ 23,756</u>	<u>\$ 218,880</u>

Liabilities, Deferred Inflows of Resources and Fund Balances

Liabilities						
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114
Accrued liabilities	-	1,690	61,418	-	-	179,180
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>1,690</u>	<u>61,418</u>	<u>-</u>	<u>-</u>	<u>179,294</u>
Deferred inflows of resources	83,419	-	-	-	-	-
Restricted fund balances						
Debt service	189,428	-	-	-	-	-
Housing program	-	14,940	-	-	-	-
Street maintenance	-	-	-	-	-	-
Public safety	-	-	41,644	186	23,756	39,586
Culture and recreation	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Total fund balances	<u>189,428</u>	<u>14,940</u>	<u>41,644</u>	<u>186</u>	<u>23,756</u>	<u>39,586</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 272,847</u>	<u>\$ 16,630</u>	<u>\$ 103,062</u>	<u>\$ 186</u>	<u>\$ 23,756</u>	<u>\$ 218,880</u>

Special Revenue						Capital Projects	Total Nonmajor Governmental Funds
Library Donation	Municipal Court Technology	Municipal Court Building Security	Fire Department Lease	Hotel Occupancy Tax	Emergency Vehicle	Street Maintenance	
\$ 8,858	\$ 85,412	\$ 135,863	\$ -	\$ 102,273	\$ 84,548	\$ 698,649	\$ 1,664,494
-	-	-	-	-	-	133,803	220,273
<u>\$ 8,858</u>	<u>\$ 85,412</u>	<u>\$ 135,863</u>	<u>\$ -</u>	<u>\$ 102,273</u>	<u>\$ 84,548</u>	<u>\$ 832,452</u>	<u>\$ 1,884,767</u>
\$ -	\$ 5,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,062
-	-	-	-	-	-	-	242,288
-	-	-	-	-	-	-	-
-	5,948	-	-	-	-	-	248,350
-	-	-	-	-	-	-	83,419
-	-	-	-	-	-	-	189,428
-	-	-	-	-	-	-	14,940
-	-	-	-	-	-	832,452	832,452
-	79,464	135,863	-	-	84,548	-	405,047
8,858	-	-	-	-	-	-	8,858
-	-	-	-	102,273	-	-	102,273
<u>8,858</u>	<u>79,464</u>	<u>135,863</u>	<u>-</u>	<u>102,273</u>	<u>84,548</u>	<u>832,452</u>	<u>1,552,998</u>
<u>\$ 8,858</u>	<u>\$ 85,412</u>	<u>\$ 135,863</u>	<u>\$ -</u>	<u>\$ 102,273</u>	<u>\$ 84,548</u>	<u>\$ 832,452</u>	<u>\$ 1,884,767</u>

City of Balch Springs, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2015

	Special Revenue					
	Debt Service	Section 8 Housing Assistance Program	State Chapter 59 Law Enforcement	Department of Justice Grants	Department of Justice Forfeitures	Red Light Camera
Revenues						
Taxes and fees	\$ 656,042	\$ -	\$ -	\$ -	\$ -	\$ 483,255
Charges for Service	-	-	-	-	-	-
Intergovernmental	-	607,714	-	-	-	-
Miscellaneous	-	324	17,078	-	1,056	-
Interest	709	42	-	5	11	-
Total revenues	656,751	608,080	17,078	5	1,067	483,255
Expenditures						
Current						
Public safety	-	-	1,925	13,251	-	576,565
Public works	-	636,597	-	-	-	-
Community development and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	10,596	-	185,264
Debt service						
Principal retirement	430,000	-	-	-	-	-
Interest and fiscal charges	192,725	-	-	-	-	-
Total expenditures	622,725	636,597	1,925	23,847	-	761,829
Excess (Deficiency) of revenues over (under) expenditures	34,026	(28,517)	15,153	(23,842)	1,067	(278,574)
Other Financing Sources (Uses)						
Insurance recoveries	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(96,171)
Total other financing uses	-	-	-	-	-	(96,171)
Net Change in Fund Balances	34,026	(28,517)	15,153	(23,842)	1,067	(374,745)
Fund Balances, Beginning of Year	155,402	43,457	26,491	24,028	22,689	414,331
Fund Balances, End of Year	\$ 189,428	\$ 14,940	\$ 41,644	\$ 186	\$ 23,756	\$ 39,586

Special Revenue						Capital Projects	Total Nonmajor Governmental Funds
Library Donation	Municipal Court Technology	Court Building Security	Fire Department Lease	Hotel Occupancy Tax	Emergency Vehicle	Street Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ 54,982	\$ -	\$ 767,135	\$ 1,961,414
-	-	22,542	-	-	-	-	22,542
-	-	-	-	-	-	-	607,714
2,150	29,653	-	-	-	59,282	-	109,543
-	-	-	-	-	-	-	767
<u>2,150</u>	<u>29,653</u>	<u>22,542</u>	<u>-</u>	<u>54,982</u>	<u>59,282</u>	<u>767,135</u>	<u>2,701,980</u>
-	32,286	-	15,611	-	1,936	-	641,574
-	-	-	-	-	-	-	636,597
5,499	-	-	-	34,911	-	-	40,410
-	-	-	-	-	-	16,574	212,434
-	-	-	-	-	65,103	-	495,103
-	-	-	-	-	2,993	-	195,718
<u>5,499</u>	<u>32,286</u>	<u>-</u>	<u>15,611</u>	<u>34,911</u>	<u>70,032</u>	<u>16,574</u>	<u>2,221,836</u>
<u>(3,349)</u>	<u>(2,633)</u>	<u>22,542</u>	<u>(15,611)</u>	<u>20,071</u>	<u>(10,750)</u>	<u>750,561</u>	<u>480,144</u>
-	-	-	-	-	19,689	-	19,689
-	-	-	-	-	-	-	(96,171)
-	-	-	-	-	19,689	-	(76,482)
(3,349)	(2,633)	22,542	(15,611)	20,071	8,939	750,561	403,662
<u>12,207</u>	<u>82,097</u>	<u>113,321</u>	<u>15,611</u>	<u>82,202</u>	<u>75,609</u>	<u>81,891</u>	<u>1,149,336</u>
<u>\$ 8,858</u>	<u>\$ 79,464</u>	<u>\$ 135,863</u>	<u>\$ -</u>	<u>\$ 102,273</u>	<u>\$ 84,548</u>	<u>\$ 832,452</u>	<u>\$ 1,552,998</u>

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City of Balch Springs, Texas
Discretely Presented Component Units
September 30, 2015

Balch Springs Industrial and Economic Development Corporation – to account for revenues from an industrial development sales tax to build economic development activity within the City.

Balch Springs Community and Economic Development Corporation – to account for revenues from a sales and use tax for the development of parks and recreational facilities.

City of Balch Springs, Texas
Balance Sheet
Industrial and Economic Development Corporation
September 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 2,150,325
Sales tax receivable	<u>133,803</u>

Total assets	<u><u>2,284,128</u></u>
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Liabilities and Fund Balance

Current Liabilities

Accounts payable	\$ 22,409
Accrued liabilities	<u>4,188</u>

Total liabilities	<u>26,597</u>
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Fund Balance

Unassigned	<u>2,257,531</u>
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Total liabilities and fund balances	<u><u>\$ 2,284,128</u></u>
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City of Balch Springs, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Industrial and Economic Development Corporation
September 30, 2015

Total fund balance – governmental fund \$ 2,257,531

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 1,191,183

Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:

Employer contributions	11,174	
Investment return difference (GASB 68)	1,911	
Experience difference (GASB 68)	(138)	
	12,947	12,947

Long-term liabilities, including bonds and other payables are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:

Revenue Bonds	(1,365,000)	
Net pension liability	(66,969)	
Compensated absences	(7,575)	
	(1,439,544)	(1,439,544)

Net position of governmental activities \$ 2,022,117

City of Balch Springs, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Industrial and Economic Development Corporation
Year Ended September 30, 2015

Revenues	
Sales tax	\$ 767,134
Interest income	2,754
Miscellaneous	<u>9,692</u>
Total revenues	<u>779,580</u>
Expenditures	
Current	
Administrative	150,000
Economic development	300,955
Capital Outlay	<u>862,387</u>
Total expenditures	<u>1,313,342</u>
Other Financing Sources (Uses)	
Sale of Land	186,935
Issuance of revenue bonds	1,365,000
Bond issuance costs	(72,944)
Transfers to other governments	<u>(305,204)</u>
Total other financing sources (uses)	<u>1,173,787</u>
Net Change In Fund Balance	640,025
Fund Balance, Beginning of Year	<u>1,617,506</u>
Fund Balance, End of Year	<u><u>\$ 2,257,531</u></u>

City of Balch Springs, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the
Statement of Activities
Industrial and Economic Development Corporation
Year Ended September 30, 2015

Net change in fund balances – Economic Development Corporation	\$ 640,025
Amounts reported for governmental activities in the statement of activities are different because:	
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. This is amount of capital assets recorded in the current period.	862,387
Governmental funds report the sale of capital asset as other financial sources, though on the statement of net position is recognized as a reduction of capital assets.	(186,935)
Current year changes in accrued compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(7,575)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	(1,365,000)
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.	<u>4,392</u>
Change in net position of governmental activities	<u><u>\$ (52,706)</u></u>

City of Balch Springs, Texas
Balance Sheet
Community and Economic Development Corporation
September 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 685,194
Receivables	
Sales tax	133,803
Notes	300,000
Interest	<u>25,035</u>

Total assets	<u>1,144,032</u>
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**Liabilities, Deferred Inflows
of Resources and Fund Balances**

Current Liabilities

Accounts payable	10,230
Accrued liabilities	<u>4,615</u>

Total liabilities	14,845
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Deferred Inflows of Resources	<u>325,035</u>
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Fund Balance

Unassigned	<u>804,152</u>
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Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,144,032</u></u>
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City of Balch Springs, Texas
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
Community and Economic Development Corporation
September 30, 2015

Total fund balance – governmental fund		\$	804,152
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred inflows or resources represent flows of resources, which relate to future period and, therefore, are not reported in the fund financial statements. Deferred inflows of resources consist of a note receivable and related accrued interest.			325,035
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.			(1,931)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:			
Employer contributions	11,174		
Investment return difference (GASB 68)	1,911		
Experience difference (GASB 68)	(138)		
	12,947		12,947
Long-term liabilities, including bonds and other payables are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:			
Revenue Bonds	(500,000)		
Net pension liability	(66,969)		
Compensated absences	(7,575)		
	(574,544)		(574,544)
Net position of governmental activities		\$	565,659

City of Balch Springs, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Community and Economic Development Corporation
Year Ended September 30, 2015

Revenues	
Sales tax	\$ 767,134
Interest income	8,613
Miscellaneous	<u>11,334</u>
Total revenues	<u>787,081</u>
Expenditures	
Current	
Administration	100,000
Economic development	291,092
Debt Service	
Principal payments	160,000
Interest and fiscal charges	<u>19,158</u>
Total expenditures	<u>570,250</u>
Other Financing Sources (Uses)	
Transfers to other governments	<u>(15,525)</u>
Total other financing sources (uses)	<u>(15,525)</u>
Net Change In Fund Balance	201,306
Fund Balance, Beginning of Year	<u>602,846</u>
Fund Balance, End of Year	<u><u>\$ 804,152</u></u>

City of Balch Springs, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the
Statement of Activities
Community and Economic Development Corporation
Year Ended September 30, 2015

Net change in fund balances – Economic Development Corporation	\$	201,306
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of principal payments of \$160,000		160,000
Revenues reported in the Statement of Activities, but do not appear in the governmental funds because they do not provide current financial resources. This is the amount of increased accrued interest from notes receivable.		7,928
Current year changes in accrued compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(7,485)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in government funds.		528
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources.		4,392
		4,392
Change in net position of governmental activities	\$	366,669

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