

**City of Balch Springs, Texas**  
Independent Auditor's Report and Financial Statements  
For the Fiscal Year Ended  
September 30, 2018



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**City of Balch Springs, Texas**  
**Year Ended September 30, 2018**

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# City of Balch Springs, Texas

## Year Ended September 30, 2018

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## **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, 2018, and the related notes to the 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. 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, 2018, 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 Matter***

As discussed in *Note 1* to the financial statements, in 2018 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, budgetary comparison, pension and other postemployment benefit 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The nonmajor combining financial statements and discretely presented component unit financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are 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.

**BKD, LLP**

Dallas, Texas  
March 29, 2019



# City of Balch Springs, Texas

## Management's Discussion and Analysis (Unaudited)

### September 30, 2018

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, 2018.

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, 2018, by \$31.7 million (net position). This was an increase of \$2.7 million from the prior year.
- Governmental activities restricted net position was \$2.9 million and unrestricted was a net deficit of \$5.7 million. Theoretically, the unrestricted net position is what is used to meet the City's ongoing obligations to citizens and creditors.
- Business-type activities restricted net position was \$847 thousand and unrestricted was \$3.1 million.
- The ending unassigned fund balance for the General Fund was \$2.4 million or 16% of next year's total General Fund budgeted expenditures, an increase of \$590 thousand from the prior year.
- The City's governmental funds reported combined ending fund balances of \$5.4 million of which \$2.4 million is available for spending at the City's discretion.
- The City's enterprise fund reported combined ending net position of \$20.5 million of which \$3.1 million is available for spending at the City's discretion.
- In 2018 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior year comparative information contained herein has not been restated for the adoptions of GASB 75.

#### Overview of the Financial Statements

**Basic Financial Statements (BFS):** 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 (GWFS):** The GWFS, shown on pages 12-13 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.

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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*.

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**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 15 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 14-17 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 18-20 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 23-51 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 and other postemployment 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 52-56 of this report.

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**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 \$31.7 million (*net position*) at the close of the fiscal year, compared to \$29.2 million (*net position*) at the end of the prior fiscal year. As a result of operations, total net position increased by \$2.7 million during the period.

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 7,912,924	\$ 6,973,625	\$ 14,886,549	\$ 6,275,159	\$ 4,940,450	\$ 11,215,609
Capital assets	20,053,307	26,586,168	46,639,475	20,679,592	25,410,438	46,090,030
Total assets	27,966,231	33,559,793	61,526,024	26,954,751	30,350,888	57,305,639
Deferred outflows of resources	964,017	433,814	1,397,831	1,770,712	646,625	2,417,337
Long-term liabilities	13,937,939	10,800,344	24,738,283	15,790,693	9,212,383	25,003,076
Other liabilities	2,842,478	2,411,918	5,254,396	3,117,780	2,141,399	5,259,179
Total liabilities	16,780,417	13,212,262	29,992,679	18,908,473	11,353,782	30,262,255
Deferred inflows of resources	1,039,506	233,889	1,273,395	205,838	46,313	252,151
Net position						
Net investment in capital assets	13,911,156	16,618,707	30,529,863	13,868,874	17,603,519	31,472,393
Restricted	2,856,143	847,355	3,703,498	1,702,667	1,201,141	2,903,808
Unrestricted	(5,656,974)	3,081,394	(2,575,580)	(5,960,389)	792,758	(5,167,631)
Total net position	\$ 11,110,325	\$ 20,547,456	\$ 31,657,781	\$ 9,611,152	\$ 19,597,418	\$ 29,208,570

The majority 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 11.7% 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 is a deficit balance in the amount of \$2,575,580, management sees this as a temporary reporting issue primarily due to the adjustment for change in pension accounting implemented in 2015. To recap the major categories of net position for the City as a whole, they are: restricted of \$2.9 million for all activities, deficit unrestricted of \$5.7 million for governmental activities and restricted of \$847 thousand for debt service and capital acquisition, and unrestricted of \$3.1 million for business-type activities.

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**September 30, 2018**

The governmental and business-type net position increased by approximately \$1.7 million and \$1 million, respectively, and is shown in the following table:

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,270,880	\$ 12,594,046	\$ 14,864,926	\$ 2,300,648	\$ 11,563,967	\$ 13,864,615
Operating grant and contribution	910,643	-	910,643	770,655	-	770,655
Capital grants and contributions	556,588	-	556,588	1,206,742	-	1,206,742
<b>General Revenue</b>						
Taxes and fees	13,943,496	-	13,943,496	12,882,801	-	12,882,801
Other	208,090	31,155	239,245	279,892	31,069	310,961
Total revenues	<u>17,889,697</u>	<u>12,625,201</u>	<u>30,514,898</u>	<u>17,440,738</u>	<u>11,595,036</u>	<u>29,035,774</u>
<b>Program Expenses</b>						
General government	1,231,528	-	1,231,528	1,167,993	-	1,167,993
Public safety	10,671,539	-	10,671,539	10,695,992	-	10,695,992
Public works	3,154,034	-	3,154,034	3,067,286	-	3,067,286
Community development and recreation	1,844,867	-	1,844,867	1,718,316	-	1,718,316
Interest and fiscal charges	150,668	-	150,668	171,188	-	171,188
Water and sewer	-	10,728,158	10,728,158	-	10,221,579	10,221,579
Total expenses	<u>17,052,636</u>	<u>10,728,158</u>	<u>27,780,794</u>	<u>16,820,775</u>	<u>10,221,579</u>	<u>27,042,354</u>
<b>Increase (Decrease in Net Position Before Transfers)</b>	837,061	1,897,043	2,734,104	619,963	1,373,457	1,993,420
Transfers	<u>894,678</u>	<u>(894,678)</u>	<u>-</u>	<u>817,406</u>	<u>(817,406)</u>	<u>-</u>
<b>Change in Net Position</b>	1,731,739	1,002,365	2,734,104	1,437,369	556,051	1,993,420
<b>Net Position, Beginning of Year, as Previously Reported</b>	9,611,152	19,597,418	29,208,570	-	-	-
<b>Change in Accounting Principle</b>	(232,566)	(52,327)	(284,893)	-	-	-
<b>Net Position, Beginning of year, as Restated</b>	<u>9,378,586</u>	<u>19,545,091</u>	<u>28,923,677</u>	<u>8,173,783</u>	<u>19,041,367</u>	<u>27,215,150</u>
<b>Net Position, End of Year</b>	<u>\$ 11,110,325</u>	<u>\$ 20,547,456</u>	<u>\$ 31,657,781</u>	<u>\$ 9,611,152</u>	<u>\$ 19,597,418</u>	<u>\$ 29,208,570</u>

**Changes in Net Position:** Details of the above summarized information can be found on page 13 of this report.

# City of Balch Springs, Texas

## Management's Discussion and Analysis (Unaudited)

### September 30, 2018

**Governmental Activities:** The City's governmental activities experienced an increase in net position of \$1,731,739, compared to an increase of \$1,437,369 during the prior fiscal year. Key elements of the operational increase include:

- Revenues excluding transfers increased by \$450,000. The major changes in revenue from the prior year are as follows:
  - Charges for Services decreased by \$30,000. Major factors in this category were decreases in Court revenues through fines and fees of \$25,000.
  - Operating Grants decreased by \$140,000 over the prior year.
  - Capital Grants decreased by \$650,000 over the prior year.
  - Taxes and Fees increased by \$1.1 million. Property tax increased by \$694,000, sales tax increased by \$319,000 and franchise fees and other taxes increased by \$48,000.
- Payment in lieu of tax transfers from the Business-type Activities to Governmental Activities as approved by City Council were budgeted at \$850,000 to be transferred from the Utility Fund to the General Fund. The amount budgeted for fiscal year 2018 was decreased by \$553,000. Actual transfers were \$45,000 above the final budgeted amount for the year.

**Business-type Activities:** Revenue from the City's business-type activities increased by \$1.1 million. Total revenue increased from \$11.5 million in the prior year to \$12.6 million in the current year. Key elements are as follows:

- Water sales increased from \$4.2 million to \$4.6 million resulting from an increase in water rates in October 2017.
- Wastewater sales increased from \$3.6 million to \$4.1 million resulting from an increase in wastewater rates in October 2017.
- Trash service sales were 3.9% higher at \$3.1 million this year due to an increase in service costs.
- Expenses of the City's business-type activities increased by \$507 thousand over the prior year.

### 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 \$5.4 million, compared to \$3.5 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 2018 ended the General Fund had \$2.4 million unassigned fund balance, compared to \$1.8 million unassigned fund balance in fiscal year 2017. 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 16.2% of total General Fund expenditures compared to 11.5% of total General Fund expenditures in the prior year.

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**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 increased by \$1 million; from \$19.6 million to \$20.5 million in the current fiscal year.

**General Fund Budgetary Highlights**

For fiscal year 2018 General Fund actual revenues came in below budget by \$140,242. The largest elements of the decrease were license and permits, intergovernmental and fines and forfeitures which were below budget by \$126,303 or 25.1%, \$280,510 or 77.2% and \$204,124 or 18.7%, respectively. Offsetting these deficiencies, taxes and fees revenues exceeded the budget by \$386,437, or 3.3% primarily due to a strengthening property tax base and increased commerce within the City.

For fiscal year 2018 the City Council adopted a General Fund operating budget that included expenditures of \$15,688,742.

For fiscal year 2018 General Fund actual expenditures came in below budget by \$1,096,094 resulting from an overall decrease in departmental expenditures.

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 not budgeted.

**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, 2018, totaled \$46,639,475, a \$549,445 increase over the prior fiscal year's balance of \$46,090,030. The investment in capital assets includes land, buildings, improvements, equipment, construction in progress and infrastructure. One major project which contributed to the large increase in construction in progress was a \$2.7 million smart meter infrastructure project in which \$1.4 million has been paid as of year-end.

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,409,837	\$ 1,409,837	\$ 792,616	\$ 792,616	\$ 2,202,453	\$ 2,202,453
Building	7,936,071	7,872,321	2,425,959	2,441,861	10,362,030	10,314,182
Improvements	4,843,791	4,621,910	-	-	4,843,791	4,621,910
Vehicles	3,895,727	4,698,342	-	-	3,895,727	4,698,342
Equipment	2,352,087	2,345,651	3,357,886	3,965,377	5,709,973	6,311,028
Construction in progress	112,899	175,715	1,452,514	92,677	1,565,413	268,392
Streets and bridges	8,878,064	8,792,428	-	-	8,878,064	8,792,428
System improvements	-	-	34,296,066	33,833,236	34,296,066	33,833,236
Accumulated depreciation	(9,375,169)	(9,236,612)	(15,738,873)	(15,715,329)	(25,114,042)	(24,951,941)
Total	\$ 20,053,307	\$ 20,679,592	\$ 26,586,168	\$ 25,410,438	\$ 46,639,475	\$ 46,090,030

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Remaining construction project costs as of September 30, 2018, include the following items:

- Echo Lake improvements with total costs of \$182,900 of which \$6,030 has been spent as of year-end.
- Androck Water Replacement with total costs of \$77,371 of which \$73,749 has been spent as of year-end.
- Dobbins Road Reconstruction at a total cost of \$127,686 of which a \$50,000 contribution has been made by the EDC as of year-end. The City is responsible for \$25,000 and the remainder of the costs will be paid for by Best Promotions.

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

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 4,570,000	\$ 5,025,000	\$ -	\$ -	\$ 4,570,000	\$ 5,025,000
Revenue bonds	-	-	6,890,000	7,405,000	6,890,000	7,405,000
Capital leases	1,317,332	1,478,932	2,728,306	-	4,045,638	1,478,932
Net pension liability	5,035,981	6,687,518	1,133,095	1,504,691	6,169,076	8,192,209
Total OPEB liability	286,680	240,890	64,504	54,200	351,184	295,090
Total	<u>\$ 11,209,993</u>	<u>\$ 13,432,340</u>	<u>\$ 10,815,905</u>	<u>\$ 8,963,891</u>	<u>\$ 22,025,898</u>	<u>\$ 22,396,231</u>

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 2018 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.073095, which is significantly below the maximum allowable tax rate.

As of September 30, 2018, the City's total outstanding debt has decreased by \$370,333, or 1.65% from the prior fiscal year. The decrease in outstanding debt is attributed to a decrease in the net pension liability and scheduled repayment of bonds during the year.

The bond rating from Standard and Poor's is A+.

Additional information about the City's long-term debt can be found on pages 38-41 of this report.



**City of Balch Springs, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**September 30, 2018**

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

Per the Bureau of Labor Statistics the Dallas/Fort Worth Metroplex December unemployment rate decreased to 3.4% from 4.1% 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 2018 was \$0.803 per \$100 of assessed value. The budget for Fiscal Year 2019 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](mailto:financemanager@cityofbalchsprings.com).

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## **Basic Financial Statements**

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**City of Balch Springs, Texas**  
**Statement of Net Position**  
**September 30, 2018**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 4,745,060	\$ 3,331,413	\$ 8,076,473	\$ 3,857,588
Receivables, net of allowance				
Ad valorem taxes, net	1,229,657	-	1,229,657	-
Sales tax	871,290	-	871,290	349,490
Fines	730,158	-	730,158	-
Notes	-	-	-	300,000
Accounts	-	1,155,545	1,155,545	-
Other	154,995	-	154,995	9,628
Prepaid insurance	181,764	11,253	193,017	-
Inventory	-	271,551	271,551	-
Restricted cash equivalents	-	2,203,863	2,203,863	-
Capital assets, net of accumulated depreciation				
Non-depreciable	1,522,736	2,245,131	3,767,867	2,096,547
Depreciable	18,530,571	24,341,037	42,871,608	-
Total assets	<u>27,966,231</u>	<u>33,559,793</u>	<u>61,526,024</u>	<u>6,613,253</u>
<b>Deferred Outflows of Resources</b>				
Employer contributions—Pensions	824,619	185,538	1,010,157	20,616
Experience losses—Pensions	109,330	24,599	133,929	2,734
Employer contributions—OPEB	9,160	2,062	11,222	228
Change of assumptions—OPEB	20,908	4,705	25,613	522
Deferred loss on debt refunding	-	216,910	216,910	-
Total deferred outflows of resources	<u>964,017</u>	<u>433,814</u>	<u>1,397,831</u>	<u>24,100</u>
<b>Liabilities</b>				
Accounts payable	280,138	960,206	1,240,344	167,894
Accrued liabilities	1,019,622	93,416	1,113,038	8,904
Accrued interest payable	12,723	14,337	27,060	5,076
Other liabilities	-	401,519	401,519	-
Due to other governments	136,688	-	136,688	-
Long-term liabilities				
Due within one year	1,106,627	877,936	1,984,563	161,298
Due in more than one year	8,901,958	9,667,249	18,569,207	2,631,686
Net pension liability	5,035,981	1,133,095	6,169,076	125,900
Total OPEB liability	<u>286,680</u>	<u>64,504</u>	<u>351,184</u>	<u>7,166</u>
Total liabilities	<u>16,780,417</u>	<u>13,212,262</u>	<u>29,992,679</u>	<u>3,107,924</u>
<b>Deferred Inflows of Resources</b>				
Experience gains—Pensions	388,606	87,436	476,042	9,716
Change of assumptions gains—Pensions	310	70	380	8
Investment return gains—Pensions	650,590	146,383	796,973	16,264
Total deferred inflows of resources	<u>1,039,506</u>	<u>233,889</u>	<u>1,273,395</u>	<u>25,988</u>
<b>Net Position</b>				
Net investment in capital assets	13,911,156	16,618,707	30,529,863	(458,422)
Restricted for				
Debt service	247,275	847,355	1,094,630	-
Housing program	7,032	-	7,032	-
Construction	1,889,622	-	1,889,622	-
Public safety	446,253	-	446,253	-
Economic development	265,961	-	265,961	-
Unrestricted	<u>(5,656,974)</u>	<u>3,081,394</u>	<u>(2,575,580)</u>	<u>3,961,863</u>
Total net position	<u>\$ 11,110,325</u>	<u>\$ 20,547,456</u>	<u>\$ 31,657,781</u>	<u>\$ 3,503,441</u>

**City of Balch Springs, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2018**

<b>Functions/Program</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government</b>				
Governmental activities				
General government	\$ 1,231,528	\$ 544,530	\$ -	\$ -
Public safety	10,671,539	1,465,203	82,958	-
Public works	3,154,034	43,323	234,346	556,588
Community development and recreation	1,844,867	217,824	593,339	-
Interest on long-term debt	150,668	-	-	-
Total governmental activities	17,052,636	2,270,880	910,643	556,588
Business-type activities				
Utility fund	10,728,158	12,594,046	-	-
Total business-type activities	10,728,158	12,594,046	-	-
Total primary government	\$ 27,780,794	\$ 14,864,926	\$ 910,643	\$ 556,588
<b>Component Units</b>				
Balch Springs Industrial and Economic Development Corporation	\$ 790,437	\$ -	\$ -	\$ -
Bach Springs Community and Economic Development Corporation	569,161	-	-	-
Total component units	\$ 1,359,598	\$ -	\$ -	\$ -
		General revenues Taxes Property taxes Sales taxes Franchise taxes Other local taxes Interest on investments Loss on disposal of assets Miscellaneous Transfers  Total general revenues and transfers		
		<b>Change in Net Position</b>		
		<b>Net Position, Beginning of Year, As Previously Reported</b>		
		<b>Change in Accounting Principle</b>		
		<b>Net Position, Beginning of Year, As Restated</b>		
		<b>Net Position, End of Year</b>		

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (686,998)	\$ -	\$ (686,998)	\$ -
(9,123,378)	-	(9,123,378)	-
(2,319,777)	-	(2,319,777)	-
(1,033,704)	-	(1,033,704)	-
(150,668)	-	(150,668)	-
<u>(13,314,525)</u>	<u>-</u>	<u>(13,314,525)</u>	<u>-</u>
<u>-</u>	<u>1,865,888</u>	<u>1,865,888</u>	<u>-</u>
<u>-</u>	<u>1,865,888</u>	<u>1,865,888</u>	<u>-</u>
<u>\$ (13,314,525)</u>	<u>\$ 1,865,888</u>	<u>\$ (11,448,637)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (790,437)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(569,161)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,359,598)</u>
\$ 7,940,680	\$ -	\$ 7,940,680	\$ -
4,890,871	-	4,890,871	1,956,348
1,045,011	-	1,045,011	-
66,934	-	66,934	-
40,469	73,770	114,239	31,108
(31,393)	(56,001)	(87,394)	-
199,014	13,386	212,400	20,765
894,678	(894,678)	-	-
<u>15,046,264</u>	<u>(863,523)</u>	<u>14,182,741</u>	<u>2,008,221</u>
<u>1,731,739</u>	<u>1,002,365</u>	<u>2,734,104</u>	<u>648,623</u>
9,611,152	19,597,418	29,208,570	2,860,632
<u>(232,566)</u>	<u>(52,327)</u>	<u>(284,893)</u>	<u>(5,814)</u>
<u>9,378,586</u>	<u>19,545,091</u>	<u>28,923,677</u>	<u>2,854,818</u>
<u>\$ 11,110,325</u>	<u>\$ 20,547,456</u>	<u>\$ 31,657,781</u>	<u>\$ 3,503,441</u>

**City of Balch Springs, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2018**

<b>Assets</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 1,846,650	\$ 2,898,410	\$ 4,745,060
Receivables (net of allowance for uncollectibles)			
Taxes	991,102	238,555	1,229,657
Sales tax	871,290	-	871,290
Fines	730,158	-	730,158
Other	97,134	57,861	154,995
Prepaid items	<u>181,264</u>	<u>500</u>	<u>181,764</u>
Total assets	<u>\$ 4,717,598</u>	<u>\$ 3,195,326</u>	<u>\$ 7,912,924</u>
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities			
Accounts and contracts payable	\$ 250,422	\$ 29,716	\$ 280,138
Accrued liabilities	772,682	246,940	1,019,622
Due to other governments	<u>136,688</u>	<u>-</u>	<u>136,688</u>
Total liabilities	<u>1,159,792</u>	<u>276,656</u>	<u>1,436,448</u>
Deferred inflows of resources			
Unavailable revenues property taxes	382,021	62,027	444,048
Unavailable revenues court fines	<u>633,628</u>	<u>-</u>	<u>633,628</u>
Total deferred inflow of resources	<u>1,015,649</u>	<u>62,027</u>	<u>1,077,676</u>
Fund balances			
Nonspendable for prepaid items	181,264	500	181,764
Restricted for			
Debt service	-	247,275	247,275
Housing program	-	7,032	7,032
Street maintenance	-	1,889,622	1,889,622
Public safety	-	446,253	446,253
Economic development	-	265,961	265,961
Unassigned	<u>2,360,893</u>	<u>-</u>	<u>2,360,893</u>
Total fund balances	<u>2,542,157</u>	<u>2,856,643</u>	<u>5,398,800</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,717,598</u>	<u>\$ 3,195,326</u>	<u>\$ 7,912,924</u>



**City of Balch Springs, Texas**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**September 30, 2018**

Total fund balances – governmental funds		\$ 5,398,800
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.		20,053,307
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.		(12,723)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		1,077,676
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 (GASB 75)	\$ 9,160	
Change of assumptions (GASB 75)	20,908	
Employer contributions (GASB 68)	824,619	
Investment return gains (GASB 68)	(650,590)	
Experience losses (GASB 68)	109,330	
Experience gains (GASB 68)	(388,606)	
Change of assumptions (GASB 68)	<u>(310)</u>	<u>(75,489)</u>
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	\$ (4,570,000)	
Premiums on bond debt	(242,096)	
Compensated absences	(3,617,049)	
Capital leases	(1,317,332)	
Other obligations	(262,108)	
Total OPEB liability	(286,680)	
Pension obligation	<u>(5,035,981)</u>	<u>(15,331,246)</u>
Net position of governmental activities		<u>\$ 11,110,325</u>

**City of Balch Springs, Texas**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2018**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes and fees	\$ 12,260,437	\$ 1,699,019	\$ 13,959,456
Licenses and permits	377,697	-	377,697
Intergovernmental	82,958	827,685	910,643
Charges for services	217,824	16,522	234,346
Fines and forfeitures	885,876	671,153	1,557,029
Interest	30,197	10,272	40,469
Miscellaneous	47,737	181,218	228,955
	<u>13,902,726</u>	<u>3,405,869</u>	<u>17,308,595</u>
Total revenues			
<b>Expenditures</b>			
Current			
General government	903,150	4,714	907,864
Public safety	9,643,582	583,144	10,226,726
Public works	1,980,522	639,513	2,620,035
Community development and recreation	1,569,162	67,676	1,636,838
Capital outlay	293,079	278,649	571,728
Debt service			
Principal retirement	161,600	455,000	616,600
Interest and fiscal charges	41,553	161,082	202,635
	<u>14,592,648</u>	<u>2,189,778</u>	<u>16,782,426</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(689,922)</u>	<u>1,216,091</u>	<u>526,169</u>
Other financing sources (uses)			
Operating transfers in	957,293	-	957,293
Operating transfers out	-	(62,615)	(62,615)
Contributions from component units	300,000	-	300,000
Contributions to other governments	(40,939)	-	(40,939)
Capital contributions	207,188	-	207,188
Insurance recoveries	10,998	-	10,998
	<u>1,434,540</u>	<u>(62,615)</u>	<u>1,371,925</u>
Total other financing sources			
<b>Net Change in Fund Balances</b>	744,618	1,153,476	1,898,094
<b>Fund Balances, Beginning of Year</b>	<u>1,797,539</u>	<u>1,703,167</u>	<u>3,500,706</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,542,157</u>	<u>\$ 2,856,643</u>	<u>\$ 5,398,800</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, 2018**

Net change in fund balances – total governmental funds \$ 1,898,094

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. 571,728

Certain 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 recognized from receipt of capital assets. 49,400

The net effect of various transactions involving capital assets (i.e disposals/sales and donations) is to increase net position. (31,393)

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. (1,216,020)

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	\$ 455,000	
Payment to state for long term obligaton	65,527	
Capital leases	161,600	
Amortization of premiums on bonds issued	<u>50,830</u>	732,957

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. (42,940)

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. (317,072)

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. 1,137

Certain revenues and expenses in the government-wide statement of activities that do not provide or require current financial resources are not reported as revenues in the governmental funds. This is the net change in these balances for the year. 85,848

Change in net position of governmental activities \$ 1,731,739

**City of Balch Springs, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2018**

**Assets**

**Current Assets**

	<b>Utility Fund</b>
Cash and cash equivalents	\$ 3,331,413
Receivables (net of allowance for uncollectibles)	
Accounts	1,155,545
Prepaid expenses	11,253
Inventory	271,551
Total current assets	4,769,762

**Noncurrent Assets**

Restricted cash and cash equivalents	2,203,863
Capital Assets	
Land	792,615
Construction in progress	1,452,516
Buildings	2,425,960
Machinery, equipment and vehicles	3,357,887
Water and sewer distribution systems	34,296,065
Less accumulated depreciation	(15,738,875)
Total noncurrent assets	28,790,031
Total assets	33,559,793

**Deferred Outflows of Resources**

Employer contributions—Pensions	185,538
Experience losses—Pensions	24,599
Employer contributions—OPEB	2,062
Change of assumptions—OPEB	4,705
Deferred loss on debt refunding	216,910
Total deferred outflows of resources	433,814

## Liabilities

### Current Liabilities

Accounts payable	\$	960,206
Accrued wages		93,416
Compensated absences		59,206
Payable from restricted resources		
Bonds payable		818,730
Accrued interest payable		14,337
Customer meter deposits		401,519

Total current liabilities 2,347,414

### Noncurrent Liabilities

Bonds payable		9,134,394
Net pension liability		1,133,095
Total OPEB liability		64,504
Compensated absences		532,855

Total noncurrent liabilities 10,864,848

Total liabilities 13,212,262

## Deferred Inflows of Resources

Experience gains—Pensions		87,436
Change of assumptions—Pensions		70
Investment return gains—Pensions		146,383

Total deferred inflows of resources 233,889

## Net Position

Net investment in capital assets		16,618,707
Restricted for		
Debt service		847,355
Unrestricted		3,081,394

Total net position \$ 20,547,456

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**City of Balch Springs, Texas**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended September 30, 2018**

	<b>Utility Fund</b>
<b>Operating Revenues</b>	
Charges for services	\$ 12,594,046
Miscellaneous	13,386
	12,607,432
Total operating revenues	12,607,432
<b>Operating Expenses</b>	
Personnel services	1,988,444
Professional services	64,700
Materials and supplies	42,759
Utilities	178,660
Repairs and maintenance	351,914
Minor equipment and rental	44,870
Benefits provided	500,393
Insurance	92,911
Purchase of water	1,588,149
Sewage	1,938,860
Solid waste	2,595,180
Other services and charges	163,908
Depreciation and amortization	977,840
	10,528,588
Total operating expenses	10,528,588
<b>Operating Income</b>	2,078,844
<b>Nonoperating Revenues (Expenses)</b>	
Interest revenue	73,770
Interest and fiscal charges	(199,570)
Loss on disposal of assets	(56,001)
	(181,801)
Total nonoperating revenues (expenses)	(181,801)
<b>Income Before Transfers</b>	1,897,043
<b>Transfers Out</b>	(894,678)
<b>Change in Net Position</b>	1,002,365
<b>Net Position, Beginning of Year, as Previously Reported</b>	19,597,418
<b>Change in Accounting Principle</b>	(52,327)
<b>Net Position, Beginning of Year, as Restated</b>	19,545,091
<b>Net Position, End of Year</b>	\$ 20,547,456

**City of Balch Springs, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2018**

	<b>Utility Fund</b>
<b>Operating Activities</b>	
Cash received from customers	\$ 12,671,895
Cash paid to employees for services	(1,923,247)
Cash paid for goods and services	(7,686,503)
Net cash provided by operating activities	3,062,145
<b>Noncapital Financing Activities</b>	
Transfers of cash to other funds	(894,678)
Net cash used in noncapital financing activities	(894,678)
<b>Capital and Related Financing Activities</b>	
Principal paid on revenue bond maturities	(515,000)
Proceeds from issuance of debt	2,728,306
Interest paid	(221,028)
Acquisition of capital assets	(2,209,571)
Net cash used in capital and related financial activities	(217,293)
<b>Investing Activities</b>	
Interest income	73,770
Net cash provided by investing activities	73,770
<b>Net Decrease in Cash and Cash Equivalents</b>	2,023,944
<b>Cash and Cash Equivalents, Beginning of Year</b>	3,511,332
<b>Cash and Cash Equivalents, End of Year</b>	\$ 5,535,276



	<b>Utility Fund</b>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating income	\$ 2,078,844
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	977,840
Loss on sale of fixed assets	56,001
Change in assets and liabilities	
Increase in accounts receivable	37,552
Decrease in inventories	(84,651)
Increase in prepaid expenses	37,868
Decrease in deferred outflows of resources	10,937
Increase in accounts payable and accrued liabilities	(77,416)
Increase in compensated absences	55,535
Increase in customer deposits	26,911
Decrease in net pension liability	(371,596)
Increase in total OPEB liability	10,304
Increase in deferred inflows of resources	360,017
	<hr/>
Net cash provided by operating activities	<u>\$ 3,118,146</u>

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**City of Balch Springs, Texas**  
**Statement of Net Position**  
**Component Units**  
**September 30, 2018**

	<b>Balch Springs Industrial and Economic Development Corporation</b>	<b>Balch Springs Community and Economic Development Corporation</b>	<b>Total</b>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 2,551,611	\$ 1,305,977	\$ 3,857,588
Receivables			
Sales tax	174,745	174,745	349,490
Notes	-	300,000	300,000
Interest	-	9,628	9,628
	<u>2,726,356</u>	<u>1,790,350</u>	<u>4,516,706</u>
Total current assets			
Noncurrent Assets			
Capital assets not being depreciated			
Land	2,096,547	-	2,096,547
	<u>2,096,547</u>	<u>-</u>	<u>2,096,547</u>
Total noncurrent assets			
	<u>4,822,903</u>	<u>1,790,350</u>	<u>6,613,253</u>
Total assets			
<b>Deferred Outflows of Resources</b>			
Employer contributions—Pensions	10,308	10,308	20,616
Experience losses—Pensions	1,367	1,367	2,734
Employer contributions—OPEB	114	114	228
Change of assumptions—OPEB	261	261	522
	<u>12,050</u>	<u>12,050</u>	<u>24,100</u>
Total deferred outflows of resources			
<b>Liabilities</b>			
Current liabilities			
Accounts payable	108,269	59,625	167,894
Accrued liabilities	4,452	4,452	8,904
Accrued interest payable	5,076	-	5,076
Current portion of compensated absences	3,149	3,149	6,298
Current portion of bonds payable	155,000	-	155,000
	<u>275,946</u>	<u>67,226</u>	<u>343,172</u>
Total current liabilities			
Noncurrent liabilities			
Compensated absences	28,343	28,343	56,686
Bonds payable	2,575,000	-	2,575,000
Net pension liability	62,950	62,950	125,900
Total OPEB liability	3,583	3,583	7,166
	<u>2,669,876</u>	<u>94,876</u>	<u>2,764,752</u>
Total noncurrent liabilities			
	<u>2,945,822</u>	<u>162,102</u>	<u>3,107,924</u>
Total liabilities			
<b>Deferred Inflows of Resources</b>			
Experience gains—Pensions	4,858	4,858	9,716
Change of assumptions gains—Pensions	4	4	8
Investment return gains—Pensions	8,132	8,132	16,264
	<u>12,994</u>	<u>12,994</u>	<u>25,988</u>
Total deferred inflows of resources			
<b>Net Position</b>			
Net investment in capital assets	(458,422)	-	(458,422)
Unrestricted	2,334,559	1,627,304	3,961,863
	<u>\$ 1,876,137</u>	<u>\$ 1,627,304</u>	<u>\$ 3,503,441</u>
Total net position			

**City of Balch Springs, Texas**  
**Statement of Activities**  
**Component Units**  
**Year Ended September 30, 2018**

	<b>Program Revenues</b>		
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Component units			
Balch Springs Industrial and Economic Development Corporation	\$ 790,437	\$ -	\$ -
Bach Springs Community and Economic Development Corporation	569,161	-	-
Total component units	\$ 1,359,598	\$ -	\$ -
		General revenues	
		Taxes	
		Sales taxes	
		Investment earnings	
		Gain on sale of land	
		Miscellaneous	
		Total general revenues and transfers	
		<b>Change in Net Position</b>	
		<b>Net Position, Beginning of Year, As Previously Reported</b>	
		<b>Change in Accounting Principle</b>	
		<b>Net Position, Beginning of Year, As Restated</b>	
		<b>Net Position, End of Year</b>	

<b>Component Units</b>		
<b>Balch Springs Industrial and Economic Development Corporation</b>	<b>Balch Springs Community and Economic Development Corporation</b>	<b>Total</b>
\$ (790,437)	\$ -	\$ (790,437)
<u>-</u>	<u>(569,161)</u>	<u>(569,161)</u>
<u>(790,437)</u>	<u>(569,161)</u>	<u>(1,359,598)</u>
978,174	978,174	1,956,348
22,361	8,747	31,108
-	-	-
<u>8,569</u>	<u>12,196</u>	<u>20,765</u>
<u>1,009,104</u>	<u>999,117</u>	<u>2,008,221</u>
218,667	429,956	648,623
1,660,377	1,200,255	2,860,632
<u>(2,907)</u>	<u>(2,907)</u>	<u>(5,814)</u>
<u>1,657,470</u>	<u>1,197,348</u>	<u>2,854,818</u>
<u>\$ 1,876,137</u>	<u>\$ 1,627,304</u>	<u>\$ 3,503,441</u>

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# City of Balch Springs, Texas

## Notes to Basic Financial Statements

### September 30, 2018

#### 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 (police 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, 2018

#### ***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 and deferred inflows, 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, 2018

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, 2018

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 used in 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, 2018**

#### ***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. Restricted cash equivalents represent unspent bond proceeds.

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. As of September 30, 2018, all investments were in external investment pools.

#### ***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, 2018, were \$72,068 for uncollectible taxes, \$1,067,000 for water and sewer billings and \$2,920,904 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***

Interfund services provided and used 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 interfund services provided and used 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 acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

Assets capitalized have a useful life of over one year. Depreciation, which includes amortization of assets under capital leases, is recorded on each class of depreciable property utilizing the straight-line method over the shorter of the estimated useful life or lease term of the related assets at the acquisition date or date placed in service. 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 Manager. Upon termination, all employees will be paid for their accumulated vacation time. At September 30, 2018, the liability for accrued compensated absences is approximately \$4,209,000. 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, 2018

#### ***Defined Benefit Other Postemployment Benefit Plan***

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

#### ***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 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.

- Deferred loss on debt refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions/benefit payments after measurement date – These contributions are deferred and reported as a reduction in net pension liability/total OPEB liability or increase in net pension asset in the year subsequent to their deferral.
- Difference in projected and actual experience (pensions) – This difference is deferred and recognized over the estimated average remaining service lives of all members determined as of the beginning of the measurement period.
- Change of assumptions (OPEB) – This difference is deferred and recognized over the estimated average remaining service lives of all members determined as of the beginning of the measurement 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.

- Difference in projected and actual experience (pensions) – This difference is deferred and recognized over the estimated average remaining service lives of all members determined as of the beginning of the measurement period.
- Change of assumptions (pensions) – This difference is deferred and recognized over the estimated average remaining service lives of all members determined as of the beginning of the measurement period.
- Net difference in projected and actual earnings (pensions) - This difference is deferred and amortized as a component of pension expense on a closed basis over a five year period beginning with the period in which the difference occurred.

# City of Balch Springs, Texas

## Notes to Basic Financial Statements

### September 30, 2018

- Unavailable revenue – This amount represents property taxes and court fines receivable that were not collected within the 60-day availability period subsequent to year-end. This amount is deferred and recognized once payments are made in the following fiscal year. This item is only presented in the Balance Sheet - Governmental Funds.

#### ***New Pronouncements***

The City has adopted and implemented the following GASB statements which have become effective for the fiscal year 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The City has implemented this Statement in fiscal year 2018 and, accordingly, has restated beginning net position within the government-wide financial statements as of October 1, 2017, of (\$232,566) related to Governmental Activities and (\$52,327) related to Business-Type Activities.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period* – GASB 89 supersedes the requirements of paragraphs 5-22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*, and requires interest costs incurred before the end of a construction period to be recognized as expense in the period incurred under the economic resources measurement focus. Adoption of GASB 89 had no effect on the City's financial statements.

#### **Note 2: Cash and Investments**

At year-end, the carrying amount of the City's cash and cash equivalents was \$14,137,924 (composed of \$10,280,336 related to the primary government and \$3,857,588 related to discretely presented component units). Corresponding bank deposit balances on September 30, 2018, 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, 2018, the City's investments were fully comprised of external investment pools.

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.

# City of Balch Springs, Texas

## Notes to Basic Financial Statements

### September 30, 2018

#### ***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.

The *Public Funds Investment Act* and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The *Public Funds Investment Act* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares. In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

**Credit Risk**

In compliance with the City’s Investment Policy as of September 30, 2018, 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 carried as cash equivalents due to liquidity measures as of September 30, 2018, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted- Average Maturity (Years)</u>
<b>Primary Government</b>			
TexPool	\$ 3,746,162	\$ 3,746,162	0.003
LOGIC	<u>1,231,295</u>	<u>1,231,295</u>	0.003
Total primary government	<u>4,977,457</u>	<u>4,977,457</u>	
<b>Component Units</b>			
TexPool	<u>232,198</u>	<u>232,198</u>	0.003
Total component units	<u>232,198</u>	<u>232,198</u>	
Total	<u>\$ 5,209,655</u>	<u>\$ 5,209,655</u>	

Deposits and investments as of September 30, 2018, are as follows:

<b>Primary Government</b>	
Deposits	\$ 5,302,879
Investments	2,773,594
Restricted investments	<u>2,203,863</u>
Total primary government	<u>10,280,336</u>
<b>Component Units</b>	
Deposits	3,625,390
Investments	<u>232,198</u>
Total component units	<u>3,857,588</u>
Total cash and cash equivalents	<u>\$ 14,137,924</u>



**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

**Note 3: Disclosures About Fair Values of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

***Investment in State Investment Pools***

During the year, the City invested in two public fund investment pools, including TexPool and LOGIC. The fair value of the position of the pools for LOGIC is measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost per share as the pool meets requirements of GASB Statement No. 79. *Certain External Investment Pools and Pool Participants.* Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

***Recurring Measurements***

As of the September 30, 2018, the City had investments measured by the aforementioned methods in TexPool and LOGIC of \$3,746,162 and \$1,231,295, respectively, and Component Units had investments in TexPool of \$232,198.

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

**Note 4: 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, 2018, were 99.8% 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, 2018, 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.

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.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

**Note 5: 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, 2018, interfund transactions were as follows:

	Transfer In			Total
	Governmental Activities	General	Nonmajor Governmental	
Transfers out				
General Fund	\$ -	\$ -	\$ -	\$ -
Utility Fund—non-capital	-	894,678	-	894,678
Utility Fund—capital	-	-	-	-
Nonmajor governmental	-	62,615	-	62,615
	<u>-</u>	<u>957,293</u>	<u>-</u>	<u>957,293</u>
Total transfers out	<u>\$ -</u>	<u>\$ 957,293</u>	<u>\$ -</u>	<u>\$ 957,293</u>

**Note 6: 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, 2018, there were no interfund assets or liabilities.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
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**Note 7: Fixed Assets**

**Governmental Funds**

Capital assets of the Governmental Activities are as follows:

	Balance October 1, 2017	Increases	Decreases	Transfers	Balance September 30, 2018
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 1,409,837	\$ -	\$ -	\$ -	\$ 1,409,837
CIP	175,715	238,606	-	(301,422)	112,899
Total capital assets not being depreciated	<u>1,585,552</u>	<u>238,606</u>	<u>-</u>	<u>(301,422)</u>	<u>1,522,736</u>
Capital assets being depreciated					
Buildings	7,872,321	63,750	-	-	7,936,071
Improvements	4,621,910	42,214	-	179,667	4,843,791
Equipment and furniture	2,345,651	75,455	(139,436)	70,417	2,352,087
Vehicles	4,698,342	115,467	(969,420)	51,338	3,895,727
Infrastructure	8,792,428	85,636	-	-	8,878,064
Total capital assets being depreciated	28,330,652	382,522	(1,108,856)	301,422	27,905,740
Less accumulated depreciation	<u>9,236,612</u>	<u>1,216,020</u>	<u>1,077,463</u>	<u>-</u>	<u>9,375,169</u>
Total capital assets being depreciated, net	<u>19,094,040</u>	<u>(833,498)</u>	<u>(31,393)</u>	<u>301,422</u>	<u>18,530,571</u>
Governmental activities capital assets, net	<u>\$ 20,679,592</u>	<u>\$ (594,892)</u>	<u>\$ (31,393)</u>	<u>\$ -</u>	<u>\$ 20,053,307</u>

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

General and administrative	\$ 6,592
Public safety	467,400
Public works	533,999
Culture and recreation	<u>208,029</u>
Total depreciation expense – governmental activities	<u>\$ 1,216,020</u>

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

**Enterprise Fund**

Capital assets of the Enterprise Fund are as follows:

	Balance October 1, 2017	Increases	Decreases	Transfers	Balance September 30, 2018
<b>Business-type Activities</b>					
Capital assets not being depreciated					
Land	\$ 263,984	\$ -	\$ -	\$ -	\$ 263,984
Right of way easements	528,632	-	-	-	528,632
Construction in progress	92,677	1,452,516	-	(92,678)	1,452,515
<b>Total capital assets not being depreciated</b>	<b>885,293</b>	<b>1,452,516</b>	<b>-</b>	<b>(92,678)</b>	<b>2,245,131</b>
Capital assets being depreciated					
Buildings	2,441,861	-	(15,902)	-	2,425,959
Equipment	3,965,377	77,042	(777,211)	92,678	3,357,886
Infrastructure and improvements	33,833,236	680,013	(217,184)	-	34,296,065
<b>Total capital assets being depreciated</b>	<b>40,240,474</b>	<b>757,055</b>	<b>(1,010,297)</b>	<b>92,678</b>	<b>40,079,910</b>
Less accumulated depreciation	15,715,329	977,840	954,296	-	15,738,873
<b>Total capital assets being depreciated, net</b>	<b>24,525,145</b>	<b>(220,785)</b>	<b>(1,964,593)</b>	<b>92,678</b>	<b>24,341,037</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 25,410,438</b>	<b>\$ 1,231,731</b>	<b>\$ (1,964,593)</b>	<b>\$ -</b>	<b>\$ 26,586,168</b>

Depreciation expense of \$977,840 was charged as a direct expense to the Utility fund within the primary government.

**Discretely Presented Component Units**

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

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Balch Springs Community and Economic Development Corporation				
Capital assets not being depreciated				
Land	\$ 2,088,051	\$ 188,796	\$ (180,300)	\$ 2,096,547
<b>Total capital assets not being depreciated</b>	<b>\$ 2,088,051</b>	<b>\$ 188,796</b>	<b>\$ (180,300)</b>	<b>\$ 2,096,547</b>

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

**Note 8: Long-term Liabilities**

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

	Balance October 1, 2017 As Restated	Additions	Retirements	Balance September 30, 2018	Due Within One-Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 5,025,000	\$ -	\$ (455,000)	\$ 4,570,000	\$ 470,000
Premiums on bond debt	292,926	-	(50,830)	242,096	43,182
Compensated absences	3,299,977	1,361,343	(1,044,271)	3,617,049	361,705
Capital leases	1,478,932	-	(161,600)	1,317,332	166,213
Due to state	327,635	-	(65,527)	262,108	65,527
Net pension liability	6,687,518	-	(1,651,537)	5,035,981	-
Total OPEB liability	<u>240,890</u>	<u>45,790</u>	<u>-</u>	<u>286,680</u>	<u>-</u>
Total governmental activities	<u>\$ 17,352,878</u>	<u>\$ 1,407,133</u>	<u>\$ (3,428,765)</u>	<u>\$ 15,331,246</u>	<u>\$ 1,106,627</u>
<b>Business-type Activities</b>					
Revenue bonds	\$ 7,405,000	\$ -	\$ (515,000)	\$ 6,890,000	\$ 530,000
Premiums on bond debt	386,432	-	(51,614)	334,818	50,501
Compensated absences	536,526	215,548	(160,013)	592,061	59,206
Capital leases	-	2,728,306	-	2,728,306	238,229
Net pension liability	1,504,691	-	(371,596)	1,133,095	-
Total OPEB liability	<u>54,200</u>	<u>10,304</u>	<u>-</u>	<u>64,504</u>	<u>-</u>
Total business-type activities	<u>\$ 9,886,849</u>	<u>\$ 2,954,158</u>	<u>\$ (1,098,223)</u>	<u>\$ 11,742,784</u>	<u>\$ 877,936</u>
<b>Discretely Presented</b>					
<b>Component Unit</b>					
Revenue bonds	\$ 3,050,000	\$ -	\$ (320,000)	\$ 2,730,000	\$ 155,000
Compensated absences	57,414	17,053	(11,483)	62,984	6,298
Net pension liability	167,188	-	(41,288)	125,900	-
Total OPEB liability	<u>6,022</u>	<u>1,144</u>	<u>-</u>	<u>7,166</u>	<u>-</u>
Total discretely presented component units	<u>\$ 3,280,624</u>	<u>\$ 18,197</u>	<u>\$ (372,771)</u>	<u>\$ 2,926,050</u>	<u>\$ 161,298</u>

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 and are expected to be less than 50% of net revenues. Accordingly, this debt is reflected as an obligation of the Utility Fund. Proceeds from Utility fund debt issued are for the primary purpose of water and sewer distribution system improvements. Debt service requirements of the component units are secured and paid for by sales tax revenues. The total pledged revenue for each related debt issuance are included in the amortization tables later in this note.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
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General obligation bonds and revenue bonds outstanding at September 30, 2018, consist of the following:

	<b>Governmental Activities</b>	<b>Water and Sewer</b>	<b>Total Primary Government</b>	<b>Component Unit</b>
<b><u>General Obligation Bonds</u></b>				
\$7,200,000, 2012 General Obligation Refunding Bonds, due in annual installments through August 1, 2027, 2.00% – 3.50%	\$ 4,570,000	\$ -	\$ 4,570,000	\$ -
<b><u>Revenue Bonds</u></b>				
\$2,570,000, 2011 Revenue Refunding Bonds, due in annual installments through September 1, 2021, 2.00% – 4.00%	\$ -	\$ 260,000	\$ 260,000	\$ -
\$1,365,000, 2015 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2025, 3.55%	-	-	-	1,000,000
\$6,795,000, 2016 Revenue Refunding Bonds, due in annual installments through September 1, 2031, 2.15%	-	6,630,000	6,630,000	-
\$1,755,000, 2016 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2032, 4.99%	-	-	-	1,730,000
	<u>\$ -</u>	<u>\$ 6,890,000</u>	<u>\$ 6,890,000</u>	<u>\$ 2,730,000</u>

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
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The annual requirements to amortize the long-term debt as of September 30, 2018, are as follows:

<b>General Obligation Bonds</b>			
<b>Fiscal Year</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	455,000	\$ 152,675	\$ 607,675
2020	485,000	138,575	623,575
2021	500,000	124,025	624,025
2022	515,000	109,025	624,025
2023	530,000	91,000	621,000
2023-2027	<u>2,085,000</u>	<u>180,075</u>	<u>2,265,075</u>
Total	<u>\$ 4,570,000</u>	<u>\$ 795,375</u>	<u>\$ 5,365,375</u>

<b>Revenue Bonds</b>			
<b>Fiscal Year</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 530,000	\$ 172,045	\$ 702,045
2020	540,000	160,645	700,645
2021	550,000	148,945	698,945
2022	495,000	132,445	627,445
2023	510,000	117,595	627,595
2024-2028	2,795,000	354,325	3,149,325
2029-2031	<u>1,470,000</u>	<u>53,780</u>	<u>1,523,780</u>
Total	<u>\$ 6,890,000</u>	<u>\$ 1,139,780</u>	<u>\$ 8,029,780</u>

<b>Revenue Bonds</b>			
<b>Fiscal Year</b>	<b>Discretely Presented Component Units</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 155,000	\$ 121,827	\$ 276,827
2020	160,000	115,965	275,965
2021	165,000	109,925	274,925
2022	165,000	103,707	268,707
2023	170,000	97,490	267,490
2024-2028	960,000	379,458	1,339,458
2029-2032	<u>955,000</u>	<u>122,006</u>	<u>1,077,006</u>
Total	<u>\$ 2,730,000</u>	<u>\$ 1,050,378</u>	<u>\$ 3,780,378</u>



**City of Balch Springs, Texas**  
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As of September 30, 2018, vehicles purchased under capital leases are carried at \$1,758,386 with accumulated depreciation of \$351,344. Amortization of these assets is included with depreciation expense.

Fiscal Year	Capital Leases		
	Governmental Activities		
	Principal	Interest	Total
2019	\$ 166,213	\$ 36,939	\$ 203,152
2020	170,927	32,210	203,137
2021	152,334	27,347	179,681
2022	156,584	23,097	179,681
2023	160,953	18,728	179,681
2024 - 2028	<u>510,321</u>	<u>28,736</u>	<u>539,057</u>
Total	<u>\$ 1,317,332</u>	<u>\$ 167,057</u>	<u>\$ 1,484,389</u>

Fiscal Year	Capital Leases		
	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 238,229	\$ 80,246	\$ 318,475
2020	244,377	74,098	318,475
2021	251,887	66,588	318,475
2022	259,629	58,847	318,476
2023	267,608	50,868	318,476
2024 - 2028	<u>1,466,576</u>	<u>125,801</u>	<u>1,592,377</u>
Total	<u>\$ 2,728,306</u>	<u>\$ 456,448</u>	<u>\$ 3,184,754</u>

**Note 9: Retirement Plan**

***Plan Description***

The City and its two component units participate as one of 880 plans in the nontraditional, joint contributory, hybrid defined benefit agent multiple-employer pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (TMRS Act) is an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

Benefits Provided

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

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

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.0%
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

Membership in the Plan by membership class at December 31, 2017 (measurement date), is as follows:

Inactive employees or beneficiaries currently receiving benefits	82
Inactive employees entitled to but not receiving benefits	112
Active employees	<u>168</u>
Total	<u><u>362</u></u>

**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).

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
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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).

For the year ended September 30, 2018, contributions by the City and its Component Units were \$1,415,082 and \$28,879, or 14.40%, of the covered payroll of \$9,905,774 and \$202,159, respectively, as required by the actuarial valuation. The component units proportionate share within the plan is 2% of all plan balances.

***Net Pension Liability***

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

Inflation	2.5% per year
Overall payroll growth	3.5% - 10.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality 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, 2017, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments 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.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	<u>100.00%</u>	

**Discount Rate:** The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% rate and employer contributions will be made at the rates specified by 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.

**City of Balch Springs, Texas**  
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Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended September 30, 2018, were as follows:

	<b>Total Pension Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net Pension Liability(a) - (b)</b>
Balances as of October 1, 2017	\$ 33,508,860	\$ 25,149,462	\$ 8,359,398
Changes for the year:			
Service cost	1,616,166	-	1,616,166
Interest on total pension liability	2,283,954	-	2,283,954
Effect of plan changes	-	-	-
Effect of difference in expected and actual experience	(399,111)	-	(399,111)
Changes of assumptions	-	-	-
Benefit payments	(961,171)	(961,171)	-
Administrative expenses	-	(18,064)	18,064
Member contributions	-	684,402	(684,402)
Net investment income	-	3,492,211	(3,492,211)
Employer contributions	-	1,407,797	(1,407,797)
Other	-	(915)	915
Net changes	<u>2,539,838</u>	<u>4,604,260</u>	<u>(2,064,422)</u>
Balances as of September 30, 2018	<u>\$ 36,048,698</u>	<u>\$ 29,753,722</u>	<u>\$ 6,294,976</u>
City	<u>\$ 35,327,724</u>	<u>\$ 29,158,648</u>	<u>\$ 6,169,076</u>
Component Units	<u>\$ 720,974</u>	<u>\$ 595,074</u>	<u>\$ 125,900</u>

**Sensitivity to Interest Rate Changes:** The following presents the net pension liability of the City calculated using the discount rate of 6.75%, as well as what the City's net pension liability 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:

	<b>1% Decrease (5.75%)</b>	<b>Current Single Rate Assumption (6.75%)</b>	<b>1% Increase (7.75%)</b>
City's net pension liability	<u>\$ 12,642,947</u>	<u>\$ 6,294,976</u>	<u>\$ 1,224,678</u>
City's net pension liability	\$ 12,390,088	\$ 6,169,075	\$ 1,200,184
Component Unit's net pension liability	252,859	125,900	24,494

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
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**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](http://www.TMRS.com).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** For the year ended September 30, 2018, the City and its Component Units recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$1,423,742 and \$29,056, respectively, and at September 30, 2018, reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 133,929	\$ (476,042)
Change of assumptions	-	(380)
Net difference between projected and actual earnings on pension plan investments	-	(796,973)
Contributions subsequent to the measurement date	<u>1,010,157</u>	<u>-</u>
	<u>\$ 1,144,087</u>	<u>\$ (1,273,395)</u>
<b>Component Units</b>		
Differences between expected and actual experience	\$ 2,734	\$ (9,716)
Change of assumptions	-	(8)
Net difference between projected and actual earnings on pension plan investments	-	(16,264)
Contributions subsequent to the measurement date	<u>20,616</u>	<u>-</u>
	<u>\$ 23,349</u>	<u>\$ (25,988)</u>

At September 30, 2018, the City and its Component Units reported \$1,010,157 and \$20,616 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year-end. These amounts will be recognized as a reduction in the net pension liability at September 30, 2018.

**City of Balch Springs, Texas**  
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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:

**Primary Government**

**Year Ending September 30**

2019	\$ (80,556)
2020	(205,682)
2021	(479,341)
2022	<u>(373,887)</u>
	<u>\$ (1,139,466)</u>

**Component Units**

**Year Ending September 30**

2019	\$ (1,644)
2020	(4,198)
2021	(9,783)
2022	<u>(7,630)</u>
	<u>\$ (23,254)</u>

**Note 10: Postemployment Benefits Other Than Pensions**

***Plan Description***

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

The following employees were covered by the benefit terms at December 31, 2017 (measurement date), is as follows:

Inactive employees currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	17
Active employees	168
 Total employees	 236

**Total OPEB Liability**

The City's total OPEB liability of \$351,184 (\$286,680 governmental activities, \$64,504 business-type activities and \$7,166 component units) was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:** The total OPEB liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	12/31/2017
Inflation	2.5%
Salary increase	3.50 to 10.5% including inflation
Discount rate	3.31% as of December 31, 2017 (3.78% as of December 31, 2016)
Retirees' share of benefit-related costs	\$0
Administrative expense	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - service retirees	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.
Mortality - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

**Discount Rate:** The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASBS No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31% based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASBS No. 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20-Year Bond GO Index.



**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

**Changes in Total OPEB liability:**

	<b>Total OPEB Liability</b>
Balances as of October 1, 2017	\$ 301,113
Changes for the year:	
Service cost	17,599
Interest on total OPEB liability	11,659
Effect of assumption changes (discount rate change)	30,913
Benefit payments	(2,934)
 Balances as of September 30, 2018	 \$ 358,350

Sensitivity of the total OPEB liability to changes in the discount rate. The total OPEB liability of the City has been calculated using a discount rate of 3.31%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease 2.31%	Current Discount Rate 3.31%	1% Increase 4.31%
Total OPEB Liability	\$ 438,948	\$ 358,350	\$ 296,793

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

**Related to OPEB:** For the year ended September 30, 2018, the City recognized OPEB expense of \$34,036. At September 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>
Changes of assumptions	\$ 26,135
Benefit payments subsequent to the measurement date	11,450
	\$ 37,585

Benefit payments subsequent to the measurement date and before fiscal year-end will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

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

September 30	Amortization of Deferred Outflows of Resources
2019	\$ 4,778
2020	4,778
2021	4,778
2022	4,778
2023	4,778
Thereafter	2,245
	\$ 26,135

**Note 11: 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, 2018, may be impaired.

***Litigation***

The City is currently involved in several litigation matters where the outcome and range of loss is currently unable to be predicted. If an unfavorable outcome were to occur on certain of these matters, it could have a material impact on the City.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2018**

**Note 12: Tax Abatement**

The City of Balch Springs offers property and sales tax abatement/grant agreements with local businesses under Chapter 312 and Chapter 380 of the Texas Local Government Code. Under these Codes, the City may award tax abatements/grants of up to 100 percent of a business's property and sales taxes for the purpose of attracting or retaining businesses within their jurisdiction. The abatements/grants may be awarded to any business located within or promising to relocate to the City of Balch Springs.

For the fiscal year ended September 30, 2018, the City abated property taxes totaling \$9,151 under Chapter 312 of the Texas Local Government Code. The \$9,151 consists of the following tax abatement agreements:

- A 50 percent of property tax abatement to a restaurant for locating/constructing a facility within the City. The abatement amounted to \$1,078.
- A 50 percent of personal property tax abatement to a manufacturer for business retention and job creation within the City. The abatement amounted to \$4,517.
- A 25 percent of personal property tax abatement to a manufacturer for business retention and job creation within the City. The abatement amounted to \$3,556.

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## **Required Supplementary Information**

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**City of Balch Springs, Texas**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**Last Two Fiscal Years**  
**(Unaudited)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Total Pension Liability</b>				
Service cost	\$ 1,111,639	\$ 1,588,374	\$ 1,588,187	\$ 1,616,166
Interest (on the total pension liability)	1,805,251	1,968,932	2,114,326	2,283,954
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(17,723)	464,652	(322,634)	(399,111)
Changes of assumptions	-	(1,315)	-	-
Benefit payments, including refunds of employee contributions	(749,402)	(849,057)	(800,546)	(961,171)
Net change in total pension liability	2,149,765	3,171,586	2,579,333	2,539,838
Total pension liability – Beginning	25,608,176	27,757,941	30,929,527	33,508,860
Total pension liability – Ending (a)	<u>\$ 27,757,941</u>	<u>\$ 30,929,527</u>	<u>\$ 33,508,860</u>	<u>\$ 36,048,698</u>
<b>Plan Fiduciary Net Position</b>				
Contributions – employer	\$ 1,420,005	\$ 1,532,886	\$ 1,344,107	\$ 1,407,797
Contributions – employee	646,296	681,706	667,305	684,402
Net investment income	1,069,250	31,089	1,518,848	3,492,211
Benefit payments, including refunds of employee contributions	(749,402)	(849,057)	(800,546)	(961,171)
Administrative expense	(11,161)	(18,929)	(17,126)	(18,064)
Other	(918)	(935)	(923)	(915)
Net change in plan fiduciary net position	2,374,070	1,376,760	2,711,665	4,604,260
Plan fiduciary net position – Beginning	18,686,968	21,061,038	22,437,797	25,149,462
Plan fiduciary net position – Ending (b)	<u>\$ 21,061,038</u>	<u>\$ 22,437,797</u>	<u>\$ 25,149,462</u>	<u>\$ 29,753,722</u>
City's net pension liability – Ending (a) – (b)	<u>\$ 6,696,903</u>	<u>\$ 8,491,730</u>	<u>\$ 8,359,398</u>	<u>\$ 6,294,976</u>
Plan fiduciary net position as a percentage of the total pension liability	75.87%	72.54%	75.05%	82.54%
Covered payroll	\$ 9,232,798	\$ 9,738,654	\$ 9,532,935	\$ 9,777,168
City's net pension liability as a percentage of covered payroll	72.53%	87.20%	87.69%	64.38%

**Other Information:** 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 Pension Contributions**  
**Last Two Fiscal Years**  
**(Unaudited)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,444,542	\$ 1,397,512	\$ 1,400,137	\$ 1,443,961
Contributions in relation to the actuarially determined contribution	<u>1,444,542</u>	<u>1,397,512</u>	<u>1,400,137</u>	<u>1,443,961</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-payroll	\$ 9,311,322	\$ 9,593,837	\$ 9,780,905	\$ 10,107,933
Contributions as a percentage of covered-payroll	15.51%	14.57%	14.32%	14.29%

**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	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City’s plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: 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 Changes in the City's Total OPEB Liability and Related Ratios**  
**(Supplemental Death Benefit Fund)**

	<b>Measurement year 2017</b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 17,599
Interest Cost	11,659
Changes of Assumptions	30,913
Benefit Payments	<u>(2,934)</u>
Net Change in Total OPEB Liability	<u>57,237</u>
 Total OPEB Liability (Beginning)	 301,113
 Total OPEB Liability (Ending)	 <u><u>\$ 358,350</u></u>
 Covered-Employee Payroll	 \$ 9,777,168
Net OPEB Liability as a Percentage of Covered-Employee Payroll	3.67%

**Other Information:** 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 75, 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, 2018**

	<u>Budgeted Amounts</u>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes and fees	\$ 11,874,000	\$ 11,874,000	\$ 12,260,437	\$ 386,437
Licenses and permits	504,000	504,000	377,697	(126,303)
Intergovernmental	363,468	363,468	82,958	(280,510)
Charges for services	187,200	187,200	217,824	30,624
Fines and forfeits	1,090,000	1,090,000	885,876	(204,124)
Interest	5,000	5,000	30,197	25,197
Miscellaneous	19,300	19,300	47,737	28,437
	<u>14,042,968</u>	<u>14,042,968</u>	<u>13,902,726</u>	<u>(140,242)</u>
<b>Expenditures</b>				
Current				
General government	1,025,280	997,810	903,150	94,660
Public safety	10,209,667	10,197,877	9,643,582	554,295
Public works	2,235,573	2,233,557	1,980,522	253,035
Community development and recreation	1,673,304	1,635,410	1,569,162	66,248
Capital outlay	544,918	624,088	293,079	331,009
Debt Service				
Principal retirement	-	-	161,600	(161,600)
Interest and fiscal charges	-	-	41,553	(41,553)
	<u>15,688,742</u>	<u>15,688,742</u>	<u>14,592,648</u>	<u>1,096,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,645,774)</u>	<u>(1,645,774)</u>	<u>(689,922)</u>	<u>955,852</u>
Other financing sources				
Operating transfers in	850,000	850,000	957,293	107,293
Contributions	300,000	300,000	466,249	166,249
Other sources	2,000	2,000	10,998	8,998
	<u>1,152,000</u>	<u>1,152,000</u>	<u>1,434,540</u>	<u>282,540</u>
<b>Net Change in Fund Balances</b>	(493,774)	(493,774)	744,618	1,238,392
<b>Fund Balance, Beginning of Year</b>	<u>1,797,539</u>	<u>1,797,539</u>	<u>1,797,539</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,303,765</u>	<u>\$ 1,303,765</u>	<u>\$ 2,542,157</u>	<u>\$ 1,238,392</u>

**City of Balch Springs, Texas**  
**Notes to Required Supplementary Information**  
**September 30, 2018**

***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 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, 2018**

***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.

*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 seizures and forfeitures awarded to the City. Expenditures are restricted to law enforcement purposes.

*US Treasury Forfeitures*

To account for the financial activity associated with the Department of Justice seizures and forfeitures 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.

*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.

**City of Balch Springs, Texas**  
**Nonmajor Governmental Funds (Continued)**  
**September 30, 2018**

*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.

*Grant*

To account for financial activity associated with federal, state, and local grants. Resources are only spent according to the terms of the grant.

*Donations*

To account for financial activity associated with donations to specific departments and for special purposes.

***Debt Service Fund***

*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.

***Capital Projects Fund***

*Street Maintenance Fund*

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



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**City of Balch Springs, Texas**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2018**

	<b>Special Revenue</b>					
	<b>Section 8 Housing Assistance Program</b>	<b>State Chapter 59 Law Enforcement</b>	<b>Department of Justice Grants</b>	<b>Department of Justice Forfeitures</b>	<b>US Treasury Forfeitures</b>	<b>Red Light Camera</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 9,200	\$ 62,422	\$ 244	\$ 31,294	\$ 134,661	\$ 177,957
Receivables (net of allowance for uncollectibles)						
Taxes	-	-	-	-	-	-
Other	-	-	-	-	-	42,857
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 9,200</u>	<u>\$ 62,422</u>	<u>\$ 244</u>	<u>\$ 31,294</u>	<u>\$ 134,661</u>	<u>\$ 220,814</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities						
Accounts and contracts payable	\$ 452	\$ 285	\$ -	\$ -	\$ -	\$ 3,125
Accrued liabilities	1,716	27,887	-	-	-	216,328
Total liabilities	<u>2,168</u>	<u>28,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,453</u>
Deferred inflows of resources	-	-	-	-	-	-
<b>Fund Balance</b>						
Nonspendable for prepaid items	-	-	-	-	-	-
Restricted fund balances						
Debt service	-	-	-	-	-	-
Housing program	7,032	-	-	-	-	-
Street maintenance	-	-	-	-	-	-
Public safety	-	34,250	244	31,294	134,661	1,361
Economic development	-	-	-	-	-	-
Total fund balances	<u>7,032</u>	<u>34,250</u>	<u>244</u>	<u>31,294</u>	<u>134,661</u>	<u>1,361</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,200</u>	<u>\$ 62,422</u>	<u>\$ 244</u>	<u>\$ 31,294</u>	<u>\$ 134,661</u>	<u>\$ 220,814</u>

Special Revenue						Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Municipal Court Technology	Municipal Court Building Security	Hotel Occupancy Tax	Emergency Vehicle	Grant	Donations	Debt Service	Street Maintenance	
\$ 63,790	\$ 48,727	\$ 252,510	\$ 101,404	\$ 17,540	\$ 37,138	\$ 245,005	\$ 1,716,518	\$ 2,898,410
-	-	-	-	-	-	64,297	174,258	238,555
-	-	-	1,337	13,667	-	-	-	57,861
-	-	-	-	-	-	500	-	500
<u>\$ 63,790</u>	<u>\$ 48,727</u>	<u>\$ 252,510</u>	<u>\$ 102,741</u>	<u>\$ 31,207</u>	<u>\$ 37,138</u>	<u>\$ 309,802</u>	<u>\$ 1,890,776</u>	<u>\$ 3,195,326</u>
\$ 7,953	\$ -	\$ 16,747	\$ -	\$ -	\$ -	\$ -	\$ 1,154	\$ 29,716
-	-	1,009	-	-	-	-	-	246,940
<u>7,953</u>	<u>-</u>	<u>17,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,154</u>	<u>276,656</u>
-	-	-	-	-	-	62,027	-	62,027
-	-	-	-	-	-	500	-	500
-	-	-	-	-	-	247,275	-	247,275
-	-	-	-	-	-	-	-	7,032
-	-	-	-	-	-	-	1,889,622	1,889,622
55,837	48,727	-	102,741	-	37,138	-	-	446,253
-	-	234,754	-	31,207	-	-	-	265,961
<u>55,837</u>	<u>48,727</u>	<u>234,754</u>	<u>102,741</u>	<u>31,207</u>	<u>37,138</u>	<u>247,775</u>	<u>1,889,622</u>	<u>2,856,643</u>
<u>\$ 63,790</u>	<u>\$ 48,727</u>	<u>\$ 252,510</u>	<u>\$ 102,741</u>	<u>\$ 31,207</u>	<u>\$ 37,138</u>	<u>\$ 309,802</u>	<u>\$ 1,890,776</u>	<u>\$ 3,195,326</u>

**City of Balch Springs, Texas**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2018**

	<b>Special Revenue</b>					
	<b>Section 8 Housing Assistance Program</b>	<b>State Chapter 59 Law Enforcement</b>	<b>Department of Justice Grants</b>	<b>Department of Justice Forfeitures</b>	<b>US Treasury Forfeitures</b>	<b>Red Light Camera</b>
<b>Revenues</b>						
Taxes and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for service	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	106,503	564,650
Intergovernmental	595,628	-	-	-	-	-
Miscellaneous	-	2,142	-	2,334	-	-
Interest	1,044	139	89	312	733	800
<b>Total revenues</b>	<b>596,672</b>	<b>2,281</b>	<b>89</b>	<b>2,646</b>	<b>107,236</b>	<b>565,450</b>
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	-
Public safety	-	2,181	-	3,921	7,357	511,070
Public works	596,248	-	-	-	-	-
Community development and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	48,148
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>596,248</b>	<b>2,181</b>	<b>-</b>	<b>3,921</b>	<b>7,357</b>	<b>559,218</b>
Excess (Deficiency) of revenues over (under) expenditures	424	100	89	(1,275)	99,879	6,232
<b>Other Financing Sources (Uses)</b>						
Transfers out	-	-	-	-	-	(45,000)
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45,000)</b>
<b>Net Change in Fund Balances</b>	<b>424</b>	<b>100</b>	<b>89</b>	<b>(1,275)</b>	<b>99,879</b>	<b>(38,768)</b>
<b>Fund Balances, Beginning of Year</b>	<b>6,608</b>	<b>34,150</b>	<b>155</b>	<b>32,569</b>	<b>34,782</b>	<b>40,129</b>
<b>Fund Balances, End of Year</b>	<b>\$ 7,032</b>	<b>\$ 34,250</b>	<b>\$ 244</b>	<b>\$ 31,294</b>	<b>\$ 134,661</b>	<b>\$ 1,361</b>

Special Revenue						Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Municipal Court Technology	Court Building Security	Hotel Occupancy Tax	Emergency Vehicle	Grant	Donations	Debt Service	Street Maintenance	
\$ -	\$ -	\$ 81,786	\$ -	\$ -	\$ -	\$ 639,059	\$ 978,174	\$ 1,699,019
-	14,677	1,845	-	-	-	-	-	16,522
-	-	-	-	-	-	-	-	671,153
-	-	-	-	99,624	-	-	132,433	827,685
19,570	-	500	92,688	-	63,984	-	-	181,218
229	168	958	385	-	-	-	5,415	10,272
<u>19,799</u>	<u>14,845</u>	<u>85,089</u>	<u>93,073</u>	<u>99,624</u>	<u>63,984</u>	<u>639,059</u>	<u>1,116,022</u>	<u>3,405,869</u>
-	-	-	-	-	4,714	-	-	4,714
28,112	573	-	-	15,381	14,549	-	-	583,144
-	-	-	-	42,955	-	-	310	639,513
-	-	50,012	-	10,081	7,583	-	-	67,676
-	-	-	59,474	-	-	-	171,027	278,649
-	-	-	-	-	-	455,000	-	455,000
-	-	-	-	-	-	161,082	-	161,082
<u>28,112</u>	<u>573</u>	<u>50,012</u>	<u>59,474</u>	<u>68,417</u>	<u>26,846</u>	<u>616,082</u>	<u>171,337</u>	<u>2,189,778</u>
<u>(8,313)</u>	<u>14,272</u>	<u>35,077</u>	<u>33,599</u>	<u>31,207</u>	<u>37,138</u>	<u>22,977</u>	<u>944,685</u>	<u>1,216,091</u>
<u>-</u>	<u>-</u>	<u>(17,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,615)</u>
<u>-</u>	<u>-</u>	<u>(17,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,615)</u>
<u>(8,313)</u>	<u>14,272</u>	<u>17,462</u>	<u>33,599</u>	<u>31,207</u>	<u>37,138</u>	<u>22,977</u>	<u>944,685</u>	<u>1,153,476</u>
<u>64,150</u>	<u>34,455</u>	<u>217,292</u>	<u>69,142</u>	<u>-</u>	<u>-</u>	<u>224,798</u>	<u>944,937</u>	<u>1,703,167</u>
<u>\$ 55,837</u>	<u>\$ 48,727</u>	<u>\$ 234,754</u>	<u>\$ 102,741</u>	<u>\$ 31,207</u>	<u>\$ 37,138</u>	<u>\$ 247,775</u>	<u>\$ 1,889,622</u>	<u>\$ 2,856,643</u>

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**City of Balch Springs, Texas**  
**Discretely Presented Component Units**  
**September 30, 2018**

**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.

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**City of Balch Springs, Texas**  
**Balance Sheet**  
**Industrial and Economic Development Corporation**  
**September 30, 2018**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 2,551,611
Sales tax receivable	<u>174,745</u>

Total assets	<u><u>\$ 2,726,356</u></u>
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**Liabilities and Fund Balance**

**Current Liabilities**

Accounts payable	\$ 108,269
Accrued liabilities	<u>4,452</u>

Total liabilities	<u>112,721</u>
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**Fund Balance**

Unassigned	<u>2,613,635</u>
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Total liabilities and fund balances	<u><u>\$ 2,726,356</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, 2018**

Total fund balance – governmental fund		\$ 2,613,635
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.		2,096,547
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 (GASB 75)	\$ 114	
Change of assumptions (GASB 75)	261	
Employer contributions (GASB 68)	10,308	
Experience losses (GASB 68)	1,367	
Experience gains (GASB 68)	(4,858)	
Investment return gains (GASB 68)	(8,132)	
Change of assumptions gains (GASB 68)	<u>(4)</u>	<u>(944)</u>
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.		(5,076)
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	\$ (2,730,000)	
Net pension liability	(62,950)	
Total OPEB liability	(3,583)	
Compensated absences	<u>(31,492)</u>	<u>(2,828,025)</u>
Net position of governmental activities		<u><u>\$ 1,876,137</u></u>

**City of Balch Springs, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Industrial and Economic Development Corporation**  
**Year Ended September 30, 2018**

<b>Revenues</b>	
Sales tax	\$ 978,174
Interest income	22,361
Miscellaneous	<u>8,569</u>
Total revenues	<u>1,009,104</u>
 <b>Expenditures</b>	
Current	
Administrative	150,000
Economic development	373,402
Capital outlay	188,796
Debt service	
Principal retirement	150,000
Interest and fiscal charges	<u>128,314</u>
Total expenditures	<u>990,512</u>
 <b>Other Financing Sources (Uses)</b>	
Proceeds from sale of land	180,300
Transfers to other governments	<u>(135,636)</u>
Total other financing sources	<u>44,664</u>
 <b>Net Change In Fund Balance</b>	 63,256
 <b>Fund Balance, Beginning of Year</b>	 <u>2,550,379</u>
 <b>Fund Balance, End of Year</b>	 <u><u>\$ 2,613,635</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, 2018**

Net change in fund balances – Economic Development Corporation	\$	63,256
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.		188,796
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.		(180,300)
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.		(2,785)
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.		237
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.		150,000
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>(537)</u>
Change in net position of governmental activities	\$	<u><u>218,667</u></u>

**City of Balch Springs, Texas**  
**Balance Sheet**  
**Community and Economic Development Corporation**  
**September 30, 2018**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 1,305,977
Receivables	
Sales tax	174,745
Note	300,000
Interest	9,628
	<u>9,628</u>

Total assets	\$ 1,790,350
	<u>1,790,350</u>

**Liabilities, Deferred Inflows  
of Resources and Fund Balances**

**Current Liabilities**

Accounts payable	\$ 59,625
Accrued liabilities	4,452
	<u>4,452</u>

Total liabilities	64,077
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<b>Deferred Inflows of Resources</b>	<u>309,628</u>
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**Fund Balance**

Unassigned	<u>1,416,645</u>
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Total liabilities, deferred inflows of resources and fund balances	\$ 1,790,350
	<u>1,790,350</u>

**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, 2018**

Total fund balance – governmental fund \$ 1,416,645

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

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:

Note receivable	\$	300,000	
Interest receivable		9,628	
Employer contributions (GASB 75)		114	
Change of assumptions (GASB 75)		261	
Employer contributions (GASB 68)		10,308	
Investment return gains (GASB 68)		(8,132)	
Expence losses (GASB 68)		1,367	
Experience gains (GASB 68)		(4,858)	
Change of assumptions gains (GASB 68)		<u>(4)</u>	308,684

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:

Net pension liability		(62,950)	
Total OPEB liability		(3,583)	
Compensated absences		<u>(31,492)</u>	<u>(98,025)</u>

Net position of governmental activities \$ 1,627,304

**City of Balch Springs, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Community and Economic Development Corporation**  
**Year Ended September 30, 2018**

<b>Revenues</b>	
Sales tax	\$ 978,174
Interest income	8,747
Miscellaneous	<u>17,529</u>
Total revenues	<u>1,004,450</u>
 <b>Expenditures</b>	
Current	
Administration	150,000
Economic development	362,663
Debt Service	
Principal payments	170,000
Interest and fiscal charges	<u>3,940</u>
Total expenditures	<u>686,603</u>
 <b>Other Financing Sources</b>	
Transfers to other governments	<u>(49,400)</u>
Total other financing sources (uses)	<u>(49,400)</u>
<b>Net Change In Fund Balance</b>	268,447
<b>Fund Balance, Beginning of Year</b>	<u>1,148,198</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 1,416,645</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, 2018**

Net change in fund balances – Economic Development Corporation	\$	268,447
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 \$170,000.		170,000
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 decrease in accrued interest from notes receivable.		(5,333)
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.		(2,785)
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.		164
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.		<u>(537)</u>
Change in net position of governmental activities	\$	<u><u>429,956</u></u>