

**City of Balch Springs, Texas**  
Auditor's Report and Financial Statements  
For the Fiscal Year Ended  
September 30, 2014



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**City of Balch Springs, Texas**  
**Year Ended September 30, 2014**

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# City of Balch Springs, Texas

## Year Ended September 30, 2014

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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, 2014 and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2014 the City changed its method of accounting for bond issuance costs with the adoption of Governmental Accounting Standards Board Statement No. 65. Our opinions are not modified with respect to this matter.

### *Correction of Accounting Errors*

As discussed in Note 1 of the financial statements, the 2013 financial statements have been restated to correct certain material misstatements. Our opinions are not modified with respect to this matter.

### *Consolidation of Other Governmental Agency*

As discussed in Note 1 to the financial statements, during fiscal year 2014, the City acquired the net assets of the Dallas County Water Control and Improvement District No. 6 (District) as the District was dissolved through Senate legislation. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining accrual and fund statements and schedules listed in the table of contents, a presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2015, on our consideration of City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*BKD, LLP*

Dallas, Texas  
April 8, 2015

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# City of Balch Springs, Texas

## Management's Discussion and Analysis (Unaudited)

### September 30, 2014

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, 2014.

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 exceeded its liabilities at September 30, 2014, by \$33.3 million (net position), of which \$5.6 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2.4 as a result of operations during the fiscal year.
- The ending unassigned fund balance for the General Fund was \$1.7 million or 14.5 percent of total General Fund revenues, an increase of \$29 thousand from the prior year.
- The City's governmental funds reported combined ending fund balances of \$2.8 million of which \$1.7 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net position of \$21.2 million of which \$4.6 million is available for spending at the City's discretion.
- During FY 2014, the City issued no additional bonded debt.

#### Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets and liabilities 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 (the "primary government"), and two legally separate entities (the "component units") for which the City is financially accountable. The component units consist of: Balch Springs Industrial and Economic Development Corporation (4A sales tax), and the Balch Springs Community and Economic Development Corporation (4B 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) and Other Supplementary Information (OSI). 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 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Governmental Capital Projects Fund, which are considered to be major funds. The governmental FFS can be found on pages 15-18 of this report.

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

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

**Notes to Basic Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 24-45 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 post-retirement 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 46-48 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 exceeded liabilities by \$33.3 million (*net position*) at the close of the fiscal year, compared to assets exceeding liabilities by \$30.9 million (*net position*) at the end of the prior fiscal year. As a result of operations, total net position increased by \$2.4 million during the period.

	<b>Governmental Activities 2014</b>	<b>Business-type Activities 2014</b>	<b>Total 2014</b>	<b>Governmental Activities 2013</b>	<b>Business-type Activities 2013</b>	<b>Total 2013</b>
Current and other assets	\$ 5,116,081	\$ 7,192,632	\$ 12,308,713	\$ 5,947,419	\$ 5,566,134	\$ 11,513,553
Capital assets	16,942,072	24,857,546	41,799,618	15,238,621	25,664,593	40,903,214
Total assets	<u>22,058,153</u>	<u>32,050,178</u>	<u>54,108,331</u>	<u>21,186,040</u>	<u>31,230,727</u>	<u>52,416,767</u>
Long-term liabilities	7,849,233	8,914,673	16,763,906	8,043,775	9,416,414	17,460,189
Other liabilities	2,113,608	1,934,256	4,047,864	1,917,552	2,130,260	4,047,812
Total liabilities	<u>9,962,841</u>	<u>10,848,929</u>	<u>20,811,770</u>	<u>9,961,327</u>	<u>11,546,674</u>	<u>21,508,001</u>
Net position						
Net investment in capital assets	9,971,525	16,001,330	25,972,855	7,846,552	16,362,939	24,209,491
Restricted	1,149,336	570,170	1,719,506	2,453,362	953,190	3,406,552
Unrestricted	974,451	4,629,749	5,604,200	924,799	2,367,924	3,292,723
Total net position	<u>\$ 12,095,312</u>	<u>\$ 21,201,249</u>	<u>\$ 33,296,561</u>	<u>\$ 11,224,713</u>	<u>\$ 19,684,053</u>	<u>\$ 30,908,766</u>

Approximately 78.0 percent of the City's net position reflects its investment in capital assets, including land, buildings, infrastructure, machinery and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net position totaling 5.2 percent of total net position, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted to be spent for specified capital projects, debt service reserves restricted by bond covenants, and special revenue funds restricted for specific purposes. The remaining balance of unrestricted net position of \$5.6 million may be used to meet the City's ongoing obligations.

The City reports positive balances in all three categories of net position for the City as a whole, with positive unrestricted net position of \$1.0 million for governmental activities and \$4.6 million for business-type activities.

The governmental and business-type net position improved by \$0.5 and \$1.5 million, respectively, and is shown in the following table:

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	Governmental Activities 2014	Business-type Activities 2014	Total 2014	Governmental Activities 2013	Business-type Activities 2013	Total 2013
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,847,500	\$ 10,274,265	\$ 12,121,765	\$ 3,647,248	\$ 10,323,809	\$ 13,971,057
Operating grant and contribution	1,233,338	-	1,233,338	1,086,293	-	1,086,293
Capital grants and contributions	1,184,418	-	1,184,418	-	-	-
<b>General Revenue</b>						
Taxes and fees	11,355,510	-	11,355,510	10,473,474	-	10,473,474
Other	634,800	289,537	924,337	145,265	24,718	169,983
Total revenues	<u>16,255,566</u>	<u>10,563,802</u>	<u>26,819,368</u>	<u>15,352,280</u>	<u>10,348,527</u>	<u>25,700,807</u>
<b>Program Expenses</b>						
General government	1,471,509	-	1,471,509	2,167,507	-	2,167,507
Public safety	9,327,192	-	9,327,192	8,614,436	-	8,614,436
Public works	3,382,406	-	3,382,406	2,033,770	-	2,033,770
Community development and recreation	1,331,802	-	1,331,802	1,371,899	-	1,371,899
Interest and fiscal charges	195,205	-	195,205	202,399	-	202,399
Water and sewer	-	9,046,606	9,046,606	-	10,355,575	10,355,575
Total expenses	<u>15,708,114</u>	<u>9,046,606</u>	<u>24,754,720</u>	<u>14,390,011</u>	<u>10,355,575</u>	<u>24,745,586</u>
<b>Change in Net Position</b>	547,452	1,517,196	2,064,648	962,269	(7,048)	955,221
<b>Net Position, As Previously Reported</b>	11,224,713	19,684,053	30,908,766	10,262,444	20,120,708	30,383,152
<b>Change in Accounting Principle</b>	(192,842)	-	(192,842)	-	(429,607)	(429,607)
<b>Prior Period Adjustment</b>	515,989	-	515,989	-	-	-
<b>Net Position, Beginning of year</b>	<u>11,547,860</u>	<u>19,684,053</u>	<u>31,231,913</u>	<u>10,262,444</u>	<u>19,691,101</u>	<u>29,953,545</u>
<b>Net Position, End of Year</b>	<u>\$ 12,095,312</u>	<u>\$ 21,201,249</u>	<u>\$ 33,296,561</u>	<u>\$ 11,224,713</u>	<u>\$ 19,684,053</u>	<u>\$ 30,908,766</u>

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

**Governmental activities:** The City's governmental activities experienced an increase in net position of \$0.5 million, compared to an increase of \$1 million during the prior fiscal year. Key elements of the operational increase include:

- Revenues are down slightly when excluding capital contributions of \$1.2 million from the Component Units. Total revenues of the City changed from \$15.3 million in fiscal year 2013 to \$16.3 million in fiscal year 2014.
- Property Tax revenue decreased by \$0.3 million in 2014. The tax rate was decreased from \$0.803 to \$0.770 per \$100 of assessed value from fiscal years 2013 to 2014.
- Total Expenditures in Governmental Activities increased by \$1.3 million from \$14.4 million in fiscal year 2013 to \$15.7 million in fiscal year 2014.
- The completion of the Luedeke Park for just over \$1.0 million is the bulk of the increase
- Public Safety and Public Works each added \$0.2 million to salary and benefit costs.

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**Business-type activities:** Revenues from the City's business-type activities increased \$0.3 million from \$10.6 million in FY 2014 as compared to \$10.3 million in the prior year. Key elements are as follows:

- Gallons billed decrease slightly by 12.2 million from 654.5 million to 642.3 gallons in fiscal year 2014.
- Water sales were virtually unchanged at almost \$3.9 million each year.
- Sewer sales were virtually unchanged at about \$3.2 million each year.
- Trash service sales held steady at almost \$2.3 million each year.
- The bulk of the increase in revenue for the year came through better enforcement of the Sewer Surcharge fee procedures and credit card fees.
- Expenses of the City's business-type activities were down dramatically. They decreased \$1.3 million from \$10.3 million in fiscal year 2013 to \$9.0 million in fiscal year 2014. The primary reason is due to the merger of the Dallas County Water Control and Improvement District #6 into the Primary Government. During this first year a number of long time district employees chose to retire and most of the vacant positions were not replaced.

**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 two of the five types of fund balances defined: restricted, and unassigned. At the end of the year, the City's governmental funds reported combined ending fund balances of \$2.8 million, compared to \$4.0 million, as restated, 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. In fiscal year 2014 the General Fund had \$1.7 million unassigned fund balance compared to \$1.2 million unassigned fund balance in fiscal year 2013. 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 14.5 percent of total General Fund revenues compared to 9.7 percent of total General Fund revenue in the prior year.

**Proprietary funds:** The City's proprietary fund statements provide essentially the same type of information found in the GWFS, but in more detail. Net position of the Utility Fund increased by \$1.5 million from \$19.7 million to \$21.2 million in fiscal year 2014.



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**General Fund Budgetary Highlights**

The fiscal year 2014 General Fund adopted operating budget totaled \$12,670,300. Expenditures were later amended to a total of \$12,729,220.

For fiscal year 2014 General Fund actual revenues exceeded budget by \$1,043,751. The largest element of the excess was Court Fines. Court Fines totaled almost \$1,093,010 while its budget was \$750,000 for \$319,000 of the excess. The next largest was the Police Department STEP Grant revenue with actual revenue of \$338,620 on a budget of \$175,000 for an excess of \$163,620.

For fiscal year 2014 General Fund actual expenditures came in under budget by \$369,562 all of which was related to decrease in expenditures under Public Works Street Maintenance line item.

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

**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, 2014 totaled \$41,799,616, a \$896,403 increase over the prior fiscal year's balance of \$40,903,213. The investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and infrastructure.

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,409,837	\$ 1,409,837	\$ 792,615	\$ 792,615	\$ 2,202,452	\$ 2,202,452
Building	7,853,196	7,853,196	2,424,944	2,424,944	10,278,140	10,278,140
Improvements	1,045,515	-	-	-	1,045,515	-
Vehicles	3,709,402	3,455,208	1,617,206	1,617,206	5,326,608	5,072,414
Equipment	856,832	811,620	1,736,124	1,723,624	2,592,956	2,535,244
Construction in progress	-	-	-	99,396	-	99,396
Streets and bridges	9,134,111	8,006,040	-	-	9,134,111	8,006,040
System improvements	-	-	31,906,487	31,807,091	31,906,487	31,807,091
Accumulated depreciation	(7,066,823)	(6,297,280)	(13,619,830)	(12,800,284)	(20,686,653)	(19,097,564)
Total	<u>\$ 16,942,070</u>	<u>\$ 15,238,621</u>	<u>\$ 24,857,546</u>	<u>\$ 25,664,592</u>	<u>\$ 41,799,616</u>	<u>\$ 40,903,213</u>

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

- Improvements at Luedeke Park \$1,045,515
- Palm scanner for the Police Department \$29,000
- Mower for the Recreation Center \$16,213
- Ford Fusion for the City Manager \$18,762
- Ford Fusion for the Police Department \$15,604
- Ford F-350 for the Fire Department \$34,400
- Chevy Tahoe for City Marshal \$43,867
- Chevy Tahoes for the Police Department (x3) \$141,561
- Various Utility system improvements \$99,397
- Mower for Utility Fund \$12,500

Additional information about the City's capital assets can be found on pages 36-38 of this report.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 6,345,000	\$ 6,765,000	\$ -	\$ -	\$ 6,345,000	\$ 6,765,000
Certificates of Obligation	-	-	9,370,000	10,005,000	9,370,000	10,005,000
Capital Leases	179,662	146,885	-	-	179,662	146,885
Total	<u>\$ 6,524,662</u>	<u>\$ 6,911,885</u>	<u>\$ 9,370,000</u>	<u>\$ 10,005,000</u>	<u>\$ 15,894,662</u>	<u>\$ 16,916,885</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 2014 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.094288, which is significantly below the maximum allowable tax rate.

As of September 30, 2014, the City's total outstanding debt has decreased by \$1,022,223, or 6 percent from the prior fiscal year. The decrease in outstanding debt is attributed to the regularly scheduled payments and no additional bonds sold or leases entered into.

The City maintains its bond rating of A- from Standard and Poor's. 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, 2014**

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

Per the Bureau of Labor Statistics the DFW Metroplex unemployment rate fell to 4.4% from 5.3% 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 2014 was \$0.77 per \$100 of assessed value. The budget for Fiscal Year 2015 included a 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.

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## **Basic Financial Statements**

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**City of Balch Springs, Texas**  
**Statement of Net Position**  
**September 30, 2014**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,633,435	\$ 1,019,060	\$ 4,652,495	\$ 2,094,648
Investments	-	1,415,508	1,415,508	-
Receivables, net of allowance				
Ad valorem taxes, net	711,082	-	711,082	-
Sales tax	600,000	-	600,000	240,000
Fines	892,393	-	892,393	-
Notes	-	-	-	300,000
Accounts	-	872,642	872,642	-
Other	285,794	-	285,794	17,107
Due from other governments	51,756	-	51,756	-
Internal balances	(1,078,529)	1,078,529	-	-
Due from component unit	20,150	-	20,150	-
Inventory	-	129,061	129,061	-
Restricted investments	-	2,677,832	2,677,832	-
Capital assets, net of accumulated depreciation				
Non-depreciable	1,409,837	792,616	2,202,453	515,731
Depreciable	15,532,235	24,064,930	39,597,165	-
Total assets	<u>22,058,153</u>	<u>32,050,178</u>	<u>54,108,331</u>	<u>3,167,486</u>
<b>Liabilities</b>				
Accounts payable	492,676	855,705	1,348,381	52,258
Accrued liabilities	733,551	44,605	778,156	10,282
Accrued interest payable	32,121	30,259	62,380	2,549
Intergovernmental payable	-	-	-	30,871
Other liabilities	199,345	319,011	518,356	20,885
Long-term liabilities				
Due within one year	655,915	684,676	1,340,591	150,000
Due in more than one year	7,849,233	8,914,673	16,763,906	510,000
Total liabilities	<u>9,962,841</u>	<u>10,848,929</u>	<u>20,811,770</u>	<u>776,845</u>
<b>Net Position</b>				
Net investment in capital assets	9,971,525	16,001,330	25,972,855	515,731
Restricted for				
Debt service	155,402	570,170	725,572	-
Housing program	43,457	-	43,457	-
Street maintenance	496,222	-	496,222	-
Public safety	359,846	-	359,846	-
Culture and recreation	12,207	-	12,207	-
Economic development	82,202	-	82,202	-
Unrestricted	974,451	4,629,749	5,604,200	1,874,910
Total net position	<u>\$ 12,095,312</u>	<u>\$ 21,201,249</u>	<u>\$ 33,296,561</u>	<u>\$ 2,390,641</u>

**City of Balch Springs, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2014**

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/program			
Primary government			
Governmental activities			
General government	\$ 1,471,509	\$ 1,352,891	\$ -
Public safety	9,327,192	335,444	389,773
Public works	3,382,406	60,218	15,784
Community development and recreation	1,331,802	98,947	827,781
Interest on long-term debt	195,205	-	-
Total governmental activities	15,708,114	1,847,500	1,233,338
Business-type activities			
Utility fund	9,046,606	10,274,265	-
Total business-type activities	9,046,606	10,274,265	-
Total primary government	\$ 24,754,720	\$ 12,121,765	\$ 1,233,338
Component units			
Balch Springs Industrial and Economic Development Corporation	\$ 1,384,635	\$ -	\$ -
Bach Springs Community and Economic Development Corporation	671,360	-	-
Total component units	\$ 2,055,995	\$ -	\$ -
		General revenues	
		Taxes	
		Property taxes	
		Sales taxes	
		Franchise taxes	
		Other local taxes	
		Gain on sale of capital assets	
		Interest on investments	
		Miscellaneous	
		Total general revenues and transfers	
		Change in Net Position	
		Net Position, As Previously Reported	
		Change in Accounting Principle*	
		Prior Period Adjustments**	
		Net Position, Beginning of Year, as restated	
		Net Position, End of Year	

\* Net position as of September 1, 2013 has been restated for the effect of adopting GASB Statement No. 65.

\*\*Net position as of September 1, 2013 has been restated for the correction of accounting errors.



<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (118,618)	\$ -	\$ (118,618)	\$ -
(8,601,975)	-	(8,601,975)	-
(2,121,986)	-	(2,121,986)	-
(405,074)	-	(405,074)	-
(195,205)	-	(195,205)	-
<u>(11,442,858)</u>	<u>-</u>	<u>(11,442,858)</u>	<u>-</u>
-	1,227,659	1,227,659	-
-	1,227,659	1,227,659	-
<u>(11,442,858)</u>	<u>1,227,659</u>	<u>(10,215,199)</u>	<u>-</u>
-	-	-	(1,384,635)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(671,360)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,055,995)</u>
\$ 6,733,161	\$ -	\$ 6,733,161	\$ -
3,522,225	-	3,522,225	1,408,888
1,086,475	-	1,086,475	-
13,649	-	13,649	-
5,365	-	5,365	-
5,365	3,505	8,870	36,912
624,070	286,032	910,102	14,771
<u>11,990,310</u>	<u>289,537</u>	<u>12,279,847</u>	<u>1,460,571</u>
547,452	1,517,196	2,064,648	(595,424)
<u>11,224,713</u>	<u>19,684,053</u>	<u>30,908,766</u>	<u>2,170,334</u>
(192,842)	-	(192,842)	-
<u>515,989</u>	<u>-</u>	<u>515,989</u>	<u>815,731</u>
<u>11,547,860</u>	<u>19,684,053</u>	<u>31,231,913</u>	<u>2,986,065</u>
<u>\$ 12,095,312</u>	<u>\$ 21,201,249</u>	<u>\$ 33,296,561</u>	<u>\$ 2,390,641</u>

**City of Balch Springs, Texas**  
**Balance Sheet – Governmental Funds**  
**September 30, 2014**

**Assets**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 3,376,918	\$ 256,517	\$ 3,633,435
Receivables (net of allowance for uncollectibles)			
Taxes	500,762	210,320	711,082
Sales tax	600,000	-	600,000
Fines	892,393	-	892,393
Other	285,794	-	285,794
Due from			
Other funds	38,109	1,116,121	1,154,230
Component unit	51,756	-	51,756
Other governments	20,150	-	20,150
	<u>5,765,882</u>	<u>1,582,958</u>	<u>7,348,840</u>
Total assets	<u>\$ 5,765,882</u>	<u>\$ 1,582,958</u>	<u>\$ 7,348,840</u>

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

Liabilities			
Accounts and contracts payable	\$ 438,748	\$ 53,928	\$ 492,676
Accrued liabilities	479,100	254,451	733,551
Due to other funds	2,194,650	38,109	2,232,759
Due to other governments	199,345	-	199,345
	<u>3,311,843</u>	<u>346,488</u>	<u>3,658,331</u>
Total liabilities	<u>3,311,843</u>	<u>346,488</u>	<u>3,658,331</u>
Deferred inflows of resources			
Unavailable revenues property taxes	755,953	87,134	843,087
	<u>755,953</u>	<u>87,134</u>	<u>843,087</u>
Fund balances			
Restricted for			
Debt service	-	155,402	155,402
Housing program	-	43,457	43,457
Street maintenance	-	496,222	496,222
Municipal court	-	-	-
Public safety	-	359,846	359,846
Culture and recreation	-	12,207	12,207
Economic development	-	82,202	82,202
Unassigned	1,698,086	-	1,698,086
	<u>1,698,086</u>	<u>1,149,336</u>	<u>2,847,422</u>
Total fund balances	<u>1,698,086</u>	<u>1,149,336</u>	<u>2,847,422</u>
	<u>\$ 5,765,882</u>	<u>\$ 1,582,958</u>	<u>\$ 7,348,840</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,765,882</u>	<u>\$ 1,582,958</u>	<u>\$ 7,348,840</u>

**City of Balch Springs, Texas**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**September 30, 2014**

Total fund balances – governmental funds	\$ 2,847,422
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.	16,942,072
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.	(32,121)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.	843,087
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	(6,345,000)
Premiums on bond debt	(445,885)
Compensated absences	(1,095,020)
Capital leases	(179,662)
Pension obligation	(439,581)
	(8,495,148)
Net position of governmental activities	\$ 12,095,312

**City of Balch Springs, Texas**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**Year Ended September 30, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes and fees	\$ 9,038,658	\$ 2,283,905	\$ 11,322,563
Licenses and permits	282,400	-	282,400
Intergovernmental	724,591	663,226	1,387,817
Charges for services	212,136	32,954	245,090
Fines and forfeits	1,320,010	-	1,320,010
Interest	4,407	623	5,030
Miscellaneous	84,849	344,040	428,889
	<u>11,667,051</u>	<u>3,324,748</u>	<u>14,991,799</u>
<b>Expenditures</b>			
Current			
General government	1,219,217	-	1,219,217
Public safety	8,285,319	724,104	9,009,423
Public works	2,008,590	698,429	2,707,019
Community development and recreation	693,289	506,406	1,199,695
Capital outlay	115,420	1,434,939	1,550,359
Debt service			
Principal retirement	37,823	497,927	535,750
Interest and fiscal charges	-	208,546	208,546
	<u>12,359,658</u>	<u>4,070,351</u>	<u>16,430,009</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(692,607)</u>	<u>(745,603)</u>	<u>(1,438,210)</u>
Other financing sources (uses)			
Operating transfers in	520,834	-	520,834
Operating transfers out	-	(520,834)	(520,834)
Transfers from other governments	151,868	-	151,868
Insurance recoveries	43,313	-	43,313
Sale of general capital assets	5,365	-	5,365
	<u>721,380</u>	<u>(520,834)</u>	<u>200,546</u>
<b>Net Change in Fund Balances</b>	28,773	(1,266,437)	(1,237,664)
<b>Fund Balances, As Previously Reported</b>	1,153,324	2,415,773	3,569,097
<b>Prior Period Adjustment*</b>	<u>515,989</u>	<u>-</u>	<u>515,989</u>
<b>Fund Balances, Beginning of Year</b>	<u>1,669,313</u>	<u>2,415,773</u>	<u>4,085,086</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,698,086</u>	<u>\$ 1,149,336</u>	<u>2,847,422</u>

\*Net position as of September 1, 2013 has been restated for the correction of an accounting error.

**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, 2014**

Net change in fund balances – total governmental funds \$ (1,237,664)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period. 1,344,923

Some revenues reported in the statement of activities do not provide the use of current financial resources and, therefore, are not reported as revenues in governmental funds. These revenues were capital contributions of completed construction projects from component units. 1,128,071

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. (769,543)

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	\$ 420,000	
Capital leases	<u>126,913</u>	546,913

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. (239,806)

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. (13,393)

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year. (212,049)

Change in net position of governmental activities \$ 547,452

**City of Balch Springs, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2014**

	<b>Utility Fund</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,019,060
Investments	1,415,508
Restricted investments	2,303,279
Receivables (net of allowance for uncollectibles)	
Accounts	872,642
Due from other funds	1,078,529
Inventory	129,061
Total current assets	6,818,079
<b>Noncurrent Assets</b>	
Restricted investments	374,553
Capital Assets:	
Land	792,616
Buildings	2,424,944
Machinery, equipment and vehicles	3,353,329
Water distribution system	31,906,487
Less accumulated depreciation	(13,619,830)
Total noncurrent assets	25,232,099
Total assets	32,050,178
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	855,705
Accrued wages	44,605
Compensated absences	18,874
Payable from restricted resources	
Bonds payable	660,000
Unamortized bond premium	5,802
Accrued interest payable	30,259
Customer meter deposits	319,011
Total current liabilities	1,934,256
<b>Noncurrent Liabilities</b>	
Bonds payable	8,710,000
Unamortized bond premium	34,810
Compensated absences	169,863
Total noncurrent liabilities	8,914,673
Total liabilities	10,848,929
<b>Net Position</b>	
Net investment in capital assets	16,001,330
Restricted for:	
Debt service	570,170
Unrestricted	4,629,749
Total net position	\$ 21,201,249

**City of Balch Springs, Texas**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended September 30, 2014**

	<b>Utility Fund</b>
<b>Operating Revenues</b>	
Charges for services	\$ 10,274,265
Miscellaneous	286,032
Total operating revenues	10,560,297
<b>Operating Expenses</b>	
Personnel services	1,733,393
Professional services	266,470
Materials and supplies	62,960
Utilities	205,253
Repairs and maintenance	232,972
Minor equipment and rental	141,569
Benefits provided	371,512
Insurance	56,988
Purchase of water	976,922
Sewage	1,182,474
Solid waste	2,277,983
Other services and charges	185,647
Depreciation and amortization	819,546
Total operating expenses	8,513,689
<b>Operating Income</b>	2,046,608
<b>Nonoperating Revenues (Expenses)</b>	
Interest revenue	3,505
Interest and fiscal charges	(425,143)
Other nonoperating expense	(107,774)
Total nonoperating revenues (expenses)	(529,412)
<b>Change in Net Position</b>	1,517,196
<b>Net Position, Beginning of Year</b>	19,684,053
<b>Net Position, End of Year</b>	\$ 21,201,249

**City of Balch Springs, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2014**

	<b>Business-type Activities Utility Enterprise Fund</b>
<b>Operating Activities</b>	
Cash received from customers	\$ 10,606,724
Cash paid to employees for services	(1,872,650)
Cash paid for goods and services	(5,846,664)
	2,887,410
<b>Noncapital Financing Activities</b>	
Property taxes	(107,774)
Transfers of cash to other funds	(1,078,529)
	(1,186,303)
<b>Capital and Related Financing Activities</b>	
Principal paid on revenue bond maturities	(635,000)
Interest paid	(431,694)
Acquisition of capital assets	(12,500)
	(1,079,194)
<b>Investing Activities</b>	
Purchase of investments	(813,244)
Investment income	3,505
	(809,739)
<b>Net Decrease in Cash and Cash Equivalents</b>	(187,826)
<b>Cash and Cash Equivalents, Beginning of Year</b>	1,206,886
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,019,060



	<b>Business-type Activities Utility Enterprise Fund</b>
	<hr/>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Net operating income	\$ 2,046,608
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	819,546
Change in assets and liabilities	
Decrease in accounts receivable	30,223
Decrease in inventories	13,286
Decrease in prepaid expenses	33,940
Increase in accounts payable and accrued liabilities	66,860
Decrease in compensated absences	(139,257)
Increase in customer deposits	16,204
	<hr/>
Net cash provided by operating activities	<u><u>\$ 2,887,410</u></u>

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**City of Balch Springs, Texas**  
**Statement of Net Position**  
**Component Units**  
**September 30, 2014**

	<b>Balch Springs Industrial and Economic Development Corporation</b>	<b>Balch Springs Community and Economic Development Corporation</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,561,832	\$ 532,816	\$ 2,094,648
Receivables			
Sales tax	120,000	120,000	240,000
Notes	-	300,000	300,000
Interest	-	17,107	17,107
Capital assets not being depreciated			
Land	515,731	-	515,731
	<u>2,197,563</u>	<u>969,923</u>	<u>3,167,486</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	28,314	23,944	52,258
Accrued liabilities	5,141	5,141	10,282
Accrued interest payable	-	2,549	2,549
Due to primary government	30,871	-	30,871
Other liabilities	-	20,885	20,885
Long-term liabilities			
Due within one year	-	150,000	150,000
Due in more than one year	-	510,000	510,000
	<u>64,326</u>	<u>712,519</u>	<u>776,845</u>
Total liabilities			
<b>Net Position</b>			
Net investment in capital assets	515,731	-	515,731
Unrestricted	1,617,506	257,404	1,874,910
	<u>\$ 2,133,237</u>	<u>\$ 257,404</u>	<u>\$ 2,390,641</u>
Total net position			

**City of Balch Springs, Texas**  
**Statement of Activities**  
**Component Units**  
**Year Ended September 30, 2014**

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units			
Balch Springs Industrial and Economic Development Corporation	\$ 1,384,635	\$ -	\$ -
Bach Springs Community and Economic Development Corporation	671,360	-	-
Total component units	\$ 2,055,995	\$ -	\$ -
	General revenues		
	Taxes		
	Sales taxes		
	Investment earnings		
	Miscellaneous		
	Total general revenues and transfers		
	Change in Net Position		
	Net Position, As Previously Reported*		
	Prior Period Adjustment		
	Net Position, Beginning of Year		
	Net Position, End of Year		

\*Net position as of September 1, 2013 has been restated for the correction of accounting errors.

<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>
\$ (1,384,635)	\$ -	\$ (1,384,635)
<u>-</u>	<u>(671,360)</u>	<u>(671,360)</u>
<u>(1,384,635)</u>	<u>(671,360)</u>	<u>(2,055,995)</u>
704,444	704,444	1,408,888
2,722	34,190	36,912
10,105	4,666	14,771
<u>717,271</u>	<u>743,300</u>	<u>1,460,571</u>
(667,364)	71,940	(595,424)
2,284,870	(114,536)	2,170,334
<u>515,731</u>	<u>300,000</u>	<u>815,731</u>
<u>2,800,601</u>	<u>185,464</u>	<u>2,986,065</u>
<u>\$ 2,133,237</u>	<u>\$ 257,404</u>	<u>\$ 2,390,641</u>

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# City of Balch Springs, Texas

## Notes to Basic Financial Statements

### September 30, 2014

#### Note 1: Significant Accounting Policies

##### **General Statement**

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

##### **Reporting Entity**

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

The City's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus*. 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, 2014

#### ***Basis of Presentation***

##### **Government-Wide Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

##### ***Fund Financial Statements***

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

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

**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, 2014

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 Funds:

**Utility Fund** – The Utility Fund is used to account for the acquisition, operation and maintenance of a municipal water and sewer utility, 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 balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balance 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 in 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, 2014

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

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

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

#### ***Basis of Accounting***

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

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

Governmental Fund financial statements are reported using the modified accrual basis for accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period.

Ad valorem, franchise and sales tax revenues recorded in the General Fund are considered to be susceptible to accrual. Licenses and permits, charges for services (except for sanitation services), 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, 2014**

***Investments***

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

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

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

***Allowance for Uncollectible Accounts***

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

***Interfund Receivables and Payables***

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

***Transactions Between Funds***

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

***Capital Assets***

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

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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

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

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position or government will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 then. In the General Fund, deferred inflows of resources consist of unavailable revenues related to delinquent property taxes receivable of \$480,548 and delinquent courts receivable of \$275,405. In the Debt Service Fund, deferred inflows of resources consist of unavailable revenues related to delinquent property taxes receivable of \$87,134.

***Accumulated Unpaid Vacations, Sick Leave and Other Employee Benefit Amounts***

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

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

Vacation time for the City’s Police and Fire Department employees will accumulate up to 15 days (120 hours) per year with accumulation from year to year only upon the approval of the City Council. All other employees will accrue vacation according to length of service, and accumulation from year to year will be only upon the approval of the City Administrator. Upon termination, all employees will be paid for their accumulated vacation time. At September 30, 2014, the liability for accrued compensated absences is approximately \$1,283,757. The amount expected to be paid from current resources is immaterial.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

***New Pronouncements***

During fiscal year 2014, the City implemented GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities*. This statement requires that certain transactions and balances previously reported as assets or liabilities be reported as deferred outflows or resources or deferred inflows of resources.

Per GASB Statement No. 65, bond issuance costs, excluding prepaid bond insurance costs which should be treated as a prepaid asset, are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported net position of (\$192,842) for governmental activities. This standard was adopted in fiscal year 2013 for the previously unconsolidated Water and Sewer enterprise fund, the then titled Dallas County Water Control and Improvement District No. 6.

During the year ending September 30, 2015, the City will implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures for pensions. The effects of implementing this statement is unknown, but is expected to have a material effect on net position.

***Correction of Accounting Errors***

General fund and Governmental Activities – In the prior fiscal year ending September 30, 2013, the accrual of franchise fees for the period of November 2012 to October 2013 were not properly accrued for the 11 months related to the fiscal year. This nonaccrual resulted in the inclusion of \$515,989 in franchise fees as fiscal year 2014 revenue. As such, the beginning General fund and Governmental activities fund and net position balances as of October 1, 2013 have been restated to include this balance that was removed from 2014 amounts.

Balch Springs Industrial and Economic Development Corporation (4A) – In 2008 4A gained land resulting from a developmental contract where 4A paid for water and sewer infrastructure on behalf of the original land owner; where the improved land would be provided to a corporation for business development; reverting to 4A if no development resulted. Following improvements, the land was not occupied for development and was deeded to 4A. As such, the beginning 4A net position balance has been restated to include the land, value at cost of the related improvements made, at \$515,731.

Balch Springs Community and Economic Development Corporation (4B) – In prior years 4B issued a note to a local apartment owner for building improvements in the amount of \$200,000 which was later refinanced with 4B to include an additional \$100,000. The related amortization schedule requires repayment over 36 annual payments, beginning January 2014. As such, the beginning 4B net position has been restated to include the October 1, 2013 note receivable balance of \$300,000.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

***Dissolution of Dallas County Water and Control Improvement District No. 6 in City***

Through Senate Bill No. 1635, signed by Governor Rick Perry, upon approval by City Council (Council) of the City, the transfer of all assets and liabilities from Dallas County Water Control and Improvement District No. 6 (DC6) to the City would be made effective. Council resolution passed this item during the December 9, 2013 council meeting through item majority vote and became effective thereon. In accordance with the provisions under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, this activity is treated as a merger, whereby the merger date is the beginning of the reporting period in which the combination occurs. The dissolution of DC6 resulted in the creation of the Utility fund, a proprietary fund of the City, used to account for water, sewer and solid waste activities. The below table identifies the assets, liabilities and net position, at the effective merger date of October 1, 2013, obtained by the City:

<b>Assets</b>	
Current	\$ 3,914,434
Capital	25,664,593
Other	<u>1,651,700</u>
Total assets	<u>31,230,727</u>
 <b>Liabilities</b>	
Current	2,130,260
Noncurrent	<u>9,416,414</u>
Total liabilities	<u>11,546,674</u>
 <b>Net Position</b>	
Net investment in capital assets	16,362,939
Restricted for debt service	953,190
Unrestricted	<u>2,367,924</u>
Total net position	<u><u>\$ 19,684,053</u></u>

As a result of this consolidation of the now, Utility fund, all employees of DC6 are now employees of the City, subject to policies of the City including its pension plan through Texas Municipal Retirement System (TMRS) (discussed in *Note 8*).

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

**Note 2: Cash and Investments**

At year-end, the carrying amount of the City's cash and cash equivalents was \$8,526,511 (composed of \$6,432,263 related to the primary government and \$2,094,248 related to discretely presented component units) and the bank balances were \$10,832,092 including \$2,305,581 of restricted investments of the water and sewer fund. The bank balances on September 30, 2014, 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, 2014, the City did not own any types of securities other than those permitted by the statute.

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

During the year ended September 30, 2014, the City invested in TexPool and LOGIC funds. TexPool and LOGIC are investment funds authorized by the Texas Legislature. The Texas Treasury Safekeeping Trust Company is the trustee and is a limited purpose trust company authorized pursuant to Texas Government Code. TexPool and LOGIC operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool and LOGIC use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool and LOGIC is the same as the market value of TexPool and LOGIC shares. TexPool and LOGIC are rated as an AAA money market fund by Standard and Poor's and Moody's.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

**Credit Risk**

In compliance with the City’s Investment Policy as of September 30, 2014 the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, broker/dealers and advisors with which the City does business and diversifying the investment portfolio so that potential losses on individual securities are minimized.

Investments as of September 30, 2014, are as follows:

	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Weighted- Average Maturity (Years)</b>
<b>Primary Government</b>			
TexPool	\$ 4,277,682	\$ 4,277,682	0.003
LOGIC	9,497	9,497	0.003
Total primary government	<u>4,287,179</u>	<u>4,287,179</u>	
<b>Component Units</b>			
TexPool	<u>100,464</u>	<u>100,464</u>	0.003
Total component units	<u>100,464</u>	<u>100,464</u>	
Total	<u><u>\$ 4,387,643</u></u>	<u><u>\$ 4,387,643</u></u>	



**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

Deposits and investments as of September 30, 2014, are as follows:

<b>Primary Government</b>	
Deposits	\$ 4,478,688
Investments	1,953,575
Restricted investments	<u>2,305,581</u>
Total primary government	<u>8,737,844</u>
 <b>Component Units</b>	
Deposits	1,993,784
Investments	<u>100,464</u>
Total component units	<u>2,094,248</u>
Total cash and cash equivalents	<u><u>\$ 10,832,092</u></u>

**Note 3: Property Taxes**

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1, and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1, of the following year. Tax collections for the year ended September 30, 2014, were 97.6% of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30 that are collected within 60 days is 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, 2013, 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.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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.

**Note 4: Interfund Transactions**

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

At September 30, 2014, interfund balances and transactions, excluding discretely presented component units were as follows:

	<b>Transfer In</b>
	<b>General</b>
Transfers out	
Nonmajor governmental	\$ 520,834
Total transfers out	\$ 520,834

**Note 5: Interfund Assets/Liabilities**

Interfund balances reflect payments made by one fund on behalf of another fund for which cash settlement has not been made as of the end of the accounting period. Amounts due to and from other funds will be settled within the next accounting period.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

Individual interfund receivable and payable balances as well as advances at September 30, 2014, were:

	Due From		
	General	Nonmajor Governmental	Total
Due To			
General Fund	\$ -	\$ 38,109	\$ 38,109
Nonmajor governmental	1,116,121	-	1,116,121
Utility Fund	1,078,529	-	1,078,529
	<u>2,194,650</u>	<u>38,109</u>	<u>2,232,759</u>
Total balances due	<u>\$ 2,194,650</u>	<u>\$ 38,109</u>	<u>\$ 2,232,759</u>

**Note 6: Fixed Assets**

**Governmental Funds**

Capital assets of the Governmental Activities are as follows:

	Balance September 30, 2013	Increases	Decreases	Transfers	Balance September 30, 2014
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 1,409,837	\$ -	\$ -	\$ -	\$ 1,409,837
Total capital assets not being depreciated	<u>1,409,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,409,837</u>
Capital assets being depreciated					
Buildings	7,853,196	-	-	-	7,853,196
Improvements	-	1,045,516	-	-	1,045,516
Equipment and furniture	811,620	45,213	-	-	856,833
Vehicles	3,455,208	254,194	-	-	3,709,402
Infrastructure	8,006,040	1,128,071	-	-	9,134,111
Total capital assets being depreciated	<u>20,126,064</u>	<u>2,472,994</u>	<u>-</u>	<u>-</u>	<u>22,599,058</u>
Less accumulated depreciation	<u>6,297,280</u>	<u>769,543</u>	<u>-</u>	<u>-</u>	<u>7,066,823</u>
Total capital assets being depreciated, net	<u>13,828,784</u>	<u>1,703,451</u>	<u>-</u>	<u>-</u>	<u>15,532,235</u>
Governmental activities capital assets, net	<u>\$ 15,238,621</u>	<u>\$ 1,703,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,942,072</u>

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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

General and administrative	\$ 9,407
Public safety	317,769
Public works	310,260
Culture and recreation	<u>132,107</u>
Total depreciation expense – governmental activities	<u><u>\$ 769,543</u></u>

**Enterprise Fund**

Capital assets of the Enterprise Fund are as follows:

	Balance September 30, 2013	Increases	Decreases	Transfers	Balance September 30, 2014
<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	<u>99,397</u>	<u>-</u>	<u>-</u>	<u>(99,397)</u>	<u>-</u>
Total capital assets not being depreciated	<u>892,013</u>	<u>-</u>	<u>-</u>	<u>(99,397)</u>	<u>792,616</u>
Capital assets being depreciated					
Buildings	2,424,944	-	-	-	2,424,944
Equipment	31,807,091	12,500	-	-	31,819,591
Infrastructure and improvements	<u>3,340,829</u>	<u>-</u>	<u>-</u>	<u>99,397</u>	<u>3,440,226</u>
Total capital assets being depreciated	<u>37,572,864</u>	<u>12,500</u>	<u>-</u>	<u>99,397</u>	<u>37,684,761</u>
Less accumulated depreciation	<u>12,800,284</u>	<u>819,547</u>	<u>-</u>	<u>-</u>	<u>13,619,831</u>
Total capital assets being depreciated, net	<u>24,772,580</u>	<u>(807,047)</u>	<u>-</u>	<u>99,397</u>	<u>24,064,930</u>
Business-type activities capital assets, net	<u><u>\$ 25,664,593</u></u>	<u><u>\$ (807,047)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,857,546</u></u>

Depreciation expense of \$819,547 was charged as a direct expense to the Utility fund within the primary government.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

**Discretely Presented Component Units**

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

	Balance September 30, 2013	Increases	Decreases	Balance September 30, 2014
Balch Springs Community and Economic Development Corporation Capital assets not being depreciated				
Land	\$ 515,731	\$ -	\$ -	\$ 515,731
Construction in progress	1,128,017	-	(1,128,017)	-
 Total capital assets not being depreciated	<u>\$ 1,643,748</u>	<u>\$ -</u>	<u>\$ (1,128,017)</u>	<u>\$ 515,731</u>

**Note 7: Long-term Liabilities**

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

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014	Due Within One-Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 6,765,000	\$ -	\$ (420,000)	\$ 6,345,000	\$ 430,000
Premiums on bond debt	480,184	-	(34,299)	445,885	36,586
Compensated absences	855,214	535,202	(295,396)	1,095,020	109,502
Capital leases	146,885	159,690	(126,913)	179,662	79,827
Net pension obligation	436,501	1,352,311	(1,349,231)	439,581	-
Total governmental activities	<u>\$ 8,683,784</u>	<u>\$ 2,047,203</u>	<u>\$ (2,225,839)</u>	<u>\$ 8,505,148</u>	<u>\$ 655,915</u>
<b>Business-type Activities</b>					
Certificates of obligation	\$ 10,005,000	\$ -	\$ (635,000)	\$ 9,370,000	\$ 660,000
Premiums on bond debt	46,414	-	(5,802)	40,612	5,802
Compensated absences	327,994	87,231	(226,488)	188,737	18,874
Total business-type activities	<u>\$ 10,379,408</u>	<u>\$ 87,231</u>	<u>\$ (867,290)</u>	<u>\$ 9,599,349</u>	<u>\$ 684,676</u>
<b>Discretely Presented Component Unit</b>					
Revenue bonds	\$ 810,000	\$ -	\$ (150,000)	\$ 660,000	\$ 150,000
Compensated absences	-	17,883	-	17,883	1,788
Total discretely presented component units	<u>\$ 810,000</u>	<u>\$ 17,883</u>	<u>\$ (150,000)</u>	<u>\$ 677,883</u>	<u>\$ 151,788</u>

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

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 principle and interest are secured by operating revenues of the Utility fund. Accordingly, this debt is reflected as an obligation of the Utility Fund. Debt service requirements of the component unit are secured and paid for by sales tax revenues.

General obligation bonds and certificates of obligation outstanding at September 30, 2014, consist of the following:

	<b>Governmental Activities</b>	<b>Water and Sewer</b>	<b>Component Unit</b>	<b>Total Primary Government</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%	\$ 6,345,000	\$ -	\$ -	\$ 6,345,000
	<u>\$ 6,345,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,345,000</u>
<b><u>Certificates of Obligation</u></b>				
\$9,750,000, 2008 Certificate of Obligation Bonds, due in annual installments through September 1, 2032, 4.00% – 5.00%	\$ -	\$ 7,745,000	\$ -	\$ 7,745,000
\$2,570,000, 2011 Certificate of Obligation Bonds, due in annual installments through September 1, 2021, 2.00% – 4.00%	-	1,625,000	-	1,625,000
\$1,175,000, 2011 Certificate of Obligation Bonds, due in bi-annual installments through August 15, 2018, 3.09%	-	-	660,000	660,000
	<u>\$ -</u>	<u>\$ 9,370,000</u>	<u>\$ 660,000</u>	<u>\$ 10,030,000</u>

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

The annual requirements to amortize the long-term debt as of September 30, 2014, 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>
2015	\$ 430,000	\$ 192,725	\$ 622,725
2016	440,000	184,125	624,125
2017	450,000	175,325	625,325
2018	455,000	166,325	621,325
2019	470,000	152,675	622,675
2020-2024	2,580,000	535,075	3,115,075
2025-2027	1,520,000	107,625	1,627,625
Total	<u>\$ 6,345,000</u>	<u>\$ 1,513,875</u>	<u>\$ 7,858,875</u>

<b>Certificates of Obligation</b>			
<b>Fiscal Year</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 660,000	\$ 363,113	\$ 1,023,113
2016	685,000	340,013	1,025,013
2017	705,000	314,263	1,019,263
2018	725,000	287,638	1,012,638
2019	470,000	261,200	731,200
2020-2024	2,430,000	1,025,100	3,455,100
2025-2029	2,800,000	525,000	3,325,000
2029-2032	895,000	46,200	941,200
Total	<u>\$ 9,370,000</u>	<u>\$ 3,162,527</u>	<u>\$ 12,532,527</u>

<b>Certificates of Obligation</b>			
<b>Fiscal Year</b>	<b>Discretely Presented Component Unit</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 160,000	\$ 19,158	\$ 179,158
2016	165,000	14,137	179,137
2017	165,000	9,038	174,038
2018	170,000	3,940	173,940
Total	<u>\$ 660,000</u>	<u>\$ 46,273</u>	<u>\$ 706,273</u>

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

Fiscal Year	Capital Leases		
	Governmental Activities		
	Principal	Interest	Total
2015	\$ 72,814	\$ 7,013	\$ 79,827
2016	20,042	3,429	23,471
2017	20,686	2,786	23,472
2018	21,350	2,121	23,471
2019	22,036	1,435	23,471
2020	22,734	728	23,462
Total	\$ 179,662	\$ 17,512	\$ 197,174

**Note 8: Retirement Plan**

***Plan Description***

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

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

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

	December 31,	
	2014	2013
Deposit rate	7%	7%
Matching ratio (City to employee)	2 – 1	2 – 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating



**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

***Expansion of Plan Members***

During fiscal year 2014, following a merger between the City and DC6, employees of DC6 were added to the City’s TMRS plan. Through this activity, new members are subject to the same provisions by which City employees are included.

***Contributions***

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

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).

***Annual Pension Cost***

Contributions by the City were \$1,349,231, or 15.41% of the covered payroll of \$8,753,691 as required by the actuarial valuation. The annual pension cost and net pension obligation are as follows:

Annual Required Contribution (ARC)	\$ 1,349,231
Interest on Net Pension Obligation	30,555
Adjustment to the ARC	(27,475)
Annual Pension Cost	1,352,311
Contribution Made	(1,349,231)
Increase (Decrease) in Net Pension Obligation	3,080
Net Pension Obligation, beginning of year	436,501
Net Pension Obligation, ending of year	\$ 439,581

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

Annual City pension cost and related information for the last three years is as follows:

	<b>December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b><u>Actuarial Information</u></b>			
Actuarial cost method	Project Unit Credit	Project Unit Credit	Project Unit Credit
Amortization method	Level Percent	Level Percent	Level Percent
Amortization period	28 years-closed period	28 years-closed period	28 years-closed period
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Assumption			
Investment return	7.5%	7.5%	7.5%
Projected salary increases	varies by age and services	varies by age and services	varies by age and services
Inflation	3.0%	3.0%	3.0%
Cost of living adjustment	2.1%	2.1%	2.1%
City specific assumptions			
Payroll growth assumption	3.00%	3.00%	3.00%
Withdrawal rates for male/female (low, mid/low, mid, mid/high or high)	Mid-High/High	Mid-High/High	Mid-High/High
	<b>December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b><u>Schedule of Funding Information</u></b>			
Actuarial value of assets	\$ 15,704,721	\$ 14,127,533	\$ 12,607,678
Actuarial accrued liability	\$ 21,813,397	\$ 20,090,725	\$ 18,315,620
Unfunded (over funded) Actuarial Accrued Liability (UAAL)	\$ 6,108,676	\$ 5,963,192	\$ 5,707,942
Funded ratio	72.0%	70.3%	68.8%
Annual covered payroll	\$ 6,836,430	\$ 6,600,539	\$ 6,393,253
UAAL as a percentage of covered payroll	89.4%	90.3%	89.3%

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

The City's net pension obligation (NPO) for TMRS at December 31, 2014, 2013 and 2012, is calculated as follows:

<b>Actuarial Valuation Date</b>	<b>December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
NPO, beginning of year	\$ 436,501	\$ 432,822	\$ 428,609
Annual pension cost	1,352,311	1,033,766	883,480
Annual required contribution (ARC)	1,349,231	1,030,087	879,267
Contributions made	<u>(1,349,231)</u>	<u>(1,030,087)</u>	<u>(879,267)</u>
NPO, end of year	<u>\$ 439,581</u>	<u>\$ 436,501</u>	<u>\$ 432,822</u>

***Actuarial Methods and Assumptions***

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members), and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.50% initially, reduced by decrements to an ultimate rate of 4.5% after eight years. The rate of inflation is assumed to be 3%.

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

**City of Balch Springs, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2014**

**Note 9: Commitments and Contingencies**

***Risk Management***

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is part of the Texas Municipal League Intergovernmental Risk Pool (the 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, 2014, may be impaired.

***Other Contingencies***

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

## **Required Supplementary Information**

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**City of Balch Springs, Texas**  
**Required Supplementary Information**  
**Schedule of Funding Progress for Participation in Texas**  
**Municipal Retirement System**  
**September 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	[1]	[2]	[3] [1]/[2]	[4] [2]-[1]	[5]	[6] [4]/[5]
12/31/2008	\$ 7,291,918	\$ 12,042,869	60.5%	\$ 4,750,951	\$ 5,728,400	82.9%
12/31/2009	\$ 8,318,922	\$ 13,741,461	60.5%	\$ 5,422,539	\$ 6,151,392	88.2%
12/31/2010	\$ 12,607,678	\$ 18,315,620	68.8%	\$ 5,707,942	\$ 6,393,253	89.3%
12/31/2011	\$ 14,127,533	\$ 20,090,725	70.3%	\$ 5,963,192	\$ 6,600,539	90.3%
12/31/2012	\$ 15,704,721	\$ 21,813,397	72.0%	\$ 6,108,676	\$ 6,836,430	89.4%

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

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

The December 31, 2012 actuarial valuation included three actuarial changes adopted by the TMRS Board of Trustees in accordance with the current strategic goal to “maintain the actuarial soundness of the retirement program by examining actuarial assumptions and methodologies and making changes where appropriate”.

The first was regarding post-retirement mortality assumptions. The mortality tables used in calculating the Annuity Purchase Rate (APR) were updated. This was necessary due to increasing life expectancies. The second was a change to the Entry Age Normal Actuarial Cost Method (EAN). The EAN cost method produces contribution rates that are more predictable and that exhibit less volatility than those produced under the method previously used, Projected Unit Method (PUC). Even though the EAN cost method will result in higher initial Actuarial Accrued Liabilities and lower funded ratios than under the previous PUC method, a primary goal of TMRS is to minimize contribution volatility. A change to the EAN cost method for funding purposes is another step toward accomplishing this policy. A secondary reason for changing to the EAN cost method is that, beginning in 2014, under Governmental Accounting Standards (GASB) Statement No. 67 and No. 68, EAN is the required actuarial cost method to be used for reporting purposes. The third change was regarding the amortization policy. In order to minimize the impact on contribution rates resulting from the changes in the retiree mortality assumptions and the actuarial cost method, individual employer amortization periods were adjusted to the extent necessary and allowable under current TMRS statutes and Board rules. The Board also elected to close the amortization period for all employers and to ladder the amortization of future liabilities over the respective 25 or 30 year amortization period.

A more detailed discussion of all these actuarial assumption can be found in the TMRS comprehensive annual financial report. This report may be obtained from TMRS’ website at [www.TMRS.org](http://www.TMRS.org).

**City of Balch Springs, Texas**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**Year Ended September 30, 2014**

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes and fees	\$ 8,675,000	\$ 8,675,000	\$ 9,038,658	\$ 363,658
Licenses and permits	273,000	273,000	282,400	9,400
Intergovernmental	593,000	593,000	724,591	131,591
Charges for services	91,300	91,300	212,136	120,836
Fines and forfeits	975,000	975,000	1,320,010	345,010
Interest	6,000	6,000	4,407	(1,593)
Miscellaneous	10,000	10,000	84,849	74,849
	<u>10,623,300</u>	<u>10,623,300</u>	<u>11,667,051</u>	<u>1,043,751</u>
<b>Expenditures</b>				
Current				
General government	1,570,000	1,571,375	1,257,040	314,335
Public safety	8,037,500	8,044,683	8,285,319	(240,636)
Public works	2,351,100	2,388,166	2,008,590	379,576
Community development and recreation	711,700	724,996	693,289	31,707
Capital outlay	-	-	115,420	(115,420)
	<u>12,670,300</u>	<u>12,729,220</u>	<u>12,359,658</u>	<u>369,562</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,047,000)</u>	<u>(2,105,920)</u>	<u>(692,607)</u>	<u>1,413,313</u>
Other financing sources				
Operating transfers in	2,042,000	2,042,000	520,834	(1,521,166)
Other sources	5,000	5,000	200,546	195,546
	<u>2,047,000</u>	<u>2,047,000</u>	<u>721,380</u>	<u>(1,325,620)</u>
<b>Net Change in Fund Balances</b>	-	(58,920)	28,773	87,693
<b>Fund Balance, Beginning of Year</b>	<u>1,669,313</u>	<u>1,669,313</u>	<u>1,669,313</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,669,313</u>	<u>\$ 1,610,393</u>	<u>\$ 1,698,086</u>	<u>\$ 87,693</u>



**City of Balch Springs, Texas**  
**Notes to Required Supplementary Information**  
**September 30, 2014**

***Budgets and Budgetary Accounting***

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

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

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

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

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

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

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

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**City of Balch Springs, Texas**  
**Nonmajor Governmental Funds**  
**September 30, 2014**

***Special Revenue Funds***

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

*Debt Service*

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

*Section 8 Housing Assistance Program*

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

*Luedeke Park*

To account for the financial activity associated with proceeds of the sale of land of Lew Park in 2011 for the Walmart retail shopping center and the expenditures of the improvements to Luedeke Park.

*State Chapter 59 Law Enforcement*

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

*Department of Justice Grants*

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

*Department of Justice Forfeitures*

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

*Red Light Camera*

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

*Library Donation*

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

*Municipal Court Technology*

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

**City of Balch Springs, Texas**  
**Nonmajor Governmental Funds (Continued)**  
**September 30, 2014**

*Municipal Court Building Security*

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

*Fire Department Lease*

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

*Hotel Occupancy Tax*

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

*Emergency Vehicle*

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

***Capital Projects Fund***

*Street Maintenance Fund*

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

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**City of Balch Springs, Texas**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2014**

**Assets**

	<b>Special Revenue</b>						
	<b>Debt Service</b>	<b>Section 8 Housing Assistance Program</b>	<b>Luedeke Park</b>	<b>State Chapter 59 Law Enforcement</b>	<b>Department of Justice Grants</b>	<b>Department of Justice Forfeitures</b>	
Cash and cash equivalents	\$ 150,396	\$ 46,914	\$ -	\$ 26,205	\$ 10,313	\$ 22,689	\$ -
Receivables (net of allowance for uncollectibles)							
Taxes	90,320	-	-	-	-	-	-
Due from other funds	1,820	50	-	26,491	13,715	-	692,301
Total assets	<u>\$ 242,536</u>	<u>\$ 46,964</u>	<u>-</u>	<u>\$ 52,696</u>	<u>\$ 24,028</u>	<u>\$ 22,689</u>	<u>\$ 692,301</u>

**Liabilities and Fund Balances**

<b>Liabilities</b>							
Accounts and contracts payable	\$ -	\$ 3,507	\$ -	\$ -	\$ -	\$ -	\$ 49,724
Accrued liabilities	-	-	-	26,205	-	-	228,246
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>3,507</u>	<u>-</u>	<u>26,205</u>	<u>-</u>	<u>-</u>	<u>277,970</u>
Deferred inflows of resources	87,134	-	-	-	-	-	-
<b>Fund balances</b>							
Debt service	155,402	-	-	-	-	-	-
Housing program	-	43,457	-	-	-	-	-
Street maintenance	-	-	-	-	-	-	414,331
Public safety	-	-	-	26,491	24,028	22,689	-
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Total fund balances	<u>155,402</u>	<u>43,457</u>	<u>-</u>	<u>26,491</u>	<u>24,028</u>	<u>22,689</u>	<u>414,331</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 242,536</u>	<u>\$ 46,964</u>	<u>\$ -</u>	<u>\$ 52,696</u>	<u>\$ 24,028</u>	<u>\$ 22,689</u>	<u>\$ 692,301</u>



Special Revenue						Capital Projects	Total Nonmajor Governmental Funds
Library Donation	Municipal Court Technology	Municipal Court Building Security	Fire Department Lease	Hotel Occupancy Tax	Emergency Vehicle	Street Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,517
-	-	-	-	-	-	120,000	210,320
12,207	82,097	113,321	15,611	82,202	76,306	-	1,116,121
<u>\$ 12,207</u>	<u>\$ 82,097</u>	<u>\$ 113,321</u>	<u>\$ 15,611</u>	<u>\$ 82,202</u>	<u>\$ 76,306</u>	<u>\$ 120,000</u>	<u>\$ 1,582,958</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 697	\$ -	\$ 53,928
-	-	-	-	-	-	-	254,451
-	-	-	-	-	-	38,109	38,109
-	-	-	-	-	697	38,109	346,488
-	-	-	-	-	-	-	87,134
-	-	-	-	-	-	-	155,402
-	-	-	-	-	-	-	43,457
-	-	-	-	-	-	81,891	496,222
-	82,097	113,321	15,611	-	75,609	-	359,846
12,207	-	-	-	-	-	-	12,207
-	-	-	-	82,202	-	-	82,202
12,207	82,097	113,321	15,611	82,202	75,609	81,891	1,149,336
<u>\$ 12,207</u>	<u>\$ 82,097</u>	<u>\$ 113,321</u>	<u>\$ 15,611</u>	<u>\$ 82,202</u>	<u>\$ 76,306</u>	<u>\$ 120,000</u>	<u>\$ 1,582,958</u>

**City of Balch Springs, Texas**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2014**

	<b>Special Revenue</b>						
	<b>Debit Service</b>	<b>Section 8 Housing Assistance Program</b>	<b>Luedeke Park</b>	<b>State Chapter 59 Law Enforcement</b>	<b>Department of Justice Grants</b>	<b>Department of Justice Forfeitures</b>	<b>Red Light Camera</b>
<b>Revenues</b>							
Taxes and fees	\$ 624,811	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 896,096
Charges for Service	-	-	-	-	-	-	-
Intergovernmental	-	606,879	-	-	56,347	-	-
Miscellaneous	-	55	159,418	31,398	-	12,194	-
Interest	570	43	-	-	3	7	-
<b>Total revenues</b>	<b>625,381</b>	<b>606,977</b>	<b>159,418</b>	<b>31,398</b>	<b>56,350</b>	<b>12,201</b>	<b>896,096</b>
<b>Expenditures</b>							
<b>Current</b>							
Public safety	-	-	-	79,878	6,439	179	622,685
Public works	-	695,643	-	-	-	-	-
Community development and recreation	-	-	471,312	-	-	-	-
Capital outlay	-	-	574,306	-	29,000	-	107,300
Debt service							
Principal retirement	420,000	-	-	-	-	-	-
Interest and fiscal charges	201,125	-	-	-	-	-	-
<b>Total expenditures</b>	<b>621,125</b>	<b>695,643</b>	<b>1,045,618</b>	<b>79,878</b>	<b>35,439</b>	<b>179</b>	<b>729,985</b>
Excess (Deficiency) of revenues over (under) expenditures	4,256	(88,666)	(886,200)	(48,480)	20,911	12,022	166,111
<b>Other Financing Uses</b>							
Transfers out	-	-	-	(12,500)	-	-	(208,334)
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,500)</b>	<b>-</b>	<b>-</b>	<b>(208,334)</b>
<b>Net Change in Fund Balances</b>	<b>4,256</b>	<b>(88,666)</b>	<b>(886,200)</b>	<b>(60,980)</b>	<b>20,911</b>	<b>12,022</b>	<b>(42,223)</b>
<b>Fund Balances, Beginning of Year</b>	<b>151,146</b>	<b>132,123</b>	<b>886,200</b>	<b>87,471</b>	<b>3,117</b>	<b>10,667</b>	<b>456,554</b>
<b>Fund Balances, End of Year</b>	<b>\$ 155,402</b>	<b>\$ 43,457</b>	<b>\$ -</b>	<b>\$ 26,491</b>	<b>\$ 24,028</b>	<b>\$ 22,689</b>	<b>\$ 414,331</b>

Special Revenue						Capital Projects	Total Nonmajor Governmental Funds
Library Donation	Municipal Court Technology	Court Building Security	Fire Department Lease	Hotel Occupancy Tax	Emergency Vehicle	Street Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ 58,554	\$ -	\$ 704,444	\$ 2,283,905
-	-	32,954	-	-	-	-	32,954
-	-	-	-	-	-	-	663,226
4,013	46,357	-	-	-	90,605	-	344,040
-	-	-	-	-	-	-	623
<u>4,013</u>	<u>46,357</u>	<u>32,954</u>	<u>-</u>	<u>58,554</u>	<u>90,605</u>	<u>704,444</u>	<u>3,324,748</u>
-	11,721	-	2,555	-	647	-	724,104
-	-	-	-	-	-	2,786	698,429
5,476	-	-	-	29,618	-	-	506,406
-	-	-	-	-	45,545	678,788	1,434,939
-	-	-	-	-	77,927	-	497,927
-	-	-	-	-	7,421	-	208,546
<u>5,476</u>	<u>11,721</u>	<u>-</u>	<u>2,555</u>	<u>29,618</u>	<u>131,540</u>	<u>681,574</u>	<u>4,070,351</u>
<u>(1,463)</u>	<u>34,636</u>	<u>32,954</u>	<u>(2,555)</u>	<u>28,936</u>	<u>(40,935)</u>	<u>22,870</u>	<u>(745,603)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(520,834)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(520,834)</u>
<u>(1,463)</u>	<u>34,636</u>	<u>32,954</u>	<u>(2,555)</u>	<u>28,936</u>	<u>(40,935)</u>	<u>(277,130)</u>	<u>(1,266,437)</u>
<u>13,670</u>	<u>47,461</u>	<u>80,367</u>	<u>18,166</u>	<u>53,266</u>	<u>116,544</u>	<u>359,021</u>	<u>2,415,773</u>
<u>\$ 12,207</u>	<u>\$ 82,097</u>	<u>\$ 113,321</u>	<u>\$ 15,611</u>	<u>\$ 82,202</u>	<u>\$ 75,609</u>	<u>\$ 81,891</u>	<u>\$ 1,149,336</u>

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**City of Balch Springs, Texas**  
**Discretely Presented Component Units**  
**September 30, 2014**

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

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

**City of Balch Springs, Texas**  
**Balance Sheet**  
**Industrial and Economic Development Corporation**  
**September 30, 2014**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 1,561,832
Sales tax receivable	<u>120,000</u>
Total assets	<u><u>1,681,832</u></u>

**Liabilities and Fund Balance**

**Current Liabilities**

Accounts payable	28,314
Accrued liabilities	5,141
Due to other funds	<u>30,871</u>
Total liabilities	<u>64,326</u>

**Fund Balance**

Unassigned	<u>1,617,506</u>
Total liabilities and fund balances	<u><u>\$ 1,681,832</u></u>

**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, 2014**

Total fund balance – governmental fund \$ 1,617,506

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. 515,731

Net position of governmental activities \$ 2,133,237

**City of Balch Springs, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Industrial and Economic Development Corporation**  
**Year Ended September 30, 2014**

<b>Revenues</b>	
Sales tax	\$ 704,444
Interest income	2,722
Miscellaneous	<u>10,105</u>
Total revenues	<u>717,271</u>
<b>Expenditures</b>	
Current	
Administrative	150,000
Economic development	<u>269,602</u>
Total expenditures	<u>419,602</u>
<b>Other Financing Sources (Uses)</b>	
Transfers to other governments	<u>(117,368)</u>
Total other financing sources (uses)	<u>(117,368)</u>
<b>Net Change In Fund Balance</b>	180,301
<b>Fund Balance, Beginning of Year</b>	<u>1,437,205</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 1,617,506</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, 2014**

Net change in fund balances – Economic Development Corporation \$ 180,301

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

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses were capital distributions of completed construction projects to governmental funds.

(847,665)

Change in net position of governmental activities

\$ (667,364)

**City of Balch Springs, Texas**  
**Balance Sheet**  
**Community and Economic Development Corporation**  
**September 30, 2014**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 532,816
Receivables	
Sales tax	120,000
Notes	300,000
Interest	<u>17,107</u>
 Total assets	 <u>969,923</u>

**Liabilities and Fund Balance**

**Current Liabilities**

Accounts payable	23,944
Accrued liabilities	5,141
Unearned revenue	317,107
Due to other funds	<u>20,885</u>
 Total liabilities	 <u>367,077</u>

**Fund Balance**

Unassigned	<u>602,846</u>
 Total liabilities and fund balances	 <u><u>\$ 969,923</u></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, 2014**

Total fund balance – governmental fund	\$	602,846
Amounts reported for governmental activities in the statement of net position are different because		
Notes and related interest receivable are not an available resource and, therefore, are unearned in the fund statement.		317,107
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.		(2,549)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements.		<u>(660,000)</u>
Net position of governmental activities	\$	<u><u>257,404</u></u>

**City of Balch Springs, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Community and Economic Development Corporation**  
**Year Ended September 30, 2014**

<b>Revenues</b>	
Sales tax	\$ 704,444
Interest income	17,083
Miscellaneous	<u>4,666</u>
Total revenues	<u>726,193</u>
 <b>Expenditures</b>	
Current	
Administration	100,000
Economic development	234,303
Debt Service	
Principal payments	150,000
Interest and fiscal charges	<u>19,602</u>
Total expenditures	<u>503,905</u>
 <b>Other Financing Sources (Uses)</b>	
Transfers to other governments	<u>(34,500)</u>
Total other financing sources (uses)	<u>(34,500)</u>
<b>Net Change In Fund Balance</b>	187,788
<b>Fund Balance, Beginning of Year</b>	<u>415,058</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 602,846</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, 2014**

Net change in fund balances – Economic Development Corporation	\$	187,788
Amounts reported for governmental activities in the statement of activities are different because		
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses were capital distributions of completed construction projects to governmental funds.		(280,406)
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 \$150,000		150,000
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 accrued interest from notes receivable.		17,107
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.		<u>(2,549)</u>
Change in net position of governmental activities	\$	<u><u>71,940</u></u>

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