

City of Balch Springs, Texas
Independent Auditor's Report and Financial Statements
For the Fiscal Year Ended
September 30, 2017



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City of Balch Springs, Texas
Year Ended September 30, 2017

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

BKD, LLP

Dallas, Texas
April 16, 2018

City of Balch Springs, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2017

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, 2017.

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

FINANCIAL HIGHLIGHTS

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

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2017, by \$29.2 million (net position). This was an increase of \$2 million from the prior year.
- Restricted net position was \$2.9 million and unrestricted was a net deficit of \$5.2 million. Theoretically, the unrestricted net position is what is used to meet the City's ongoing obligations to citizens and creditors.
- The ending unassigned fund balance for the General Fund was \$1.8 million or 11% of next year's total General Fund budgeted expenditures, an increase of \$334 thousand from the prior year.
- The City's governmental funds reported combined ending fund balances of \$3.5 million of which \$1.8 million is available for spending at the City's discretion.
- The City's enterprise fund reported combined ending net position of \$19.6 million of which \$0.8 million is available for spending at the City's discretion.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

City of Balch Springs, Texas
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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 which is a major fund. The governmental FFS can be found on pages 15-18 of this report.

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

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

Notes to Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 24-49 of this report.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the City's progress in funding its obligation to provide pension benefits to its employees and retirees. The General Fund budgetary comparison demonstrating the legal level of budgetary control can also be found as part of the RSI. The RSI can be found on pages 50-53 of this report.

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Government-Wide Financial Analysis

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29.2 million (*net position*) at the close of the fiscal year, compared to \$27.2 million (*net position*) at the end of the prior fiscal year. As a result of operations, total net position increased by \$2 million during the period.

	Governmental Activities 2017	Business-type Activities 2017	Total 2017	Governmental Activities 2016	Business-type Activities 2016	Total 2016
Current and other assets	\$ 6,275,159	\$ 4,940,450	\$ 11,215,609	\$ 6,394,712	\$ 5,141,879	\$ 11,536,591
Capital assets	<u>20,679,592</u>	<u>25,410,438</u>	<u>46,090,030</u>	<u>18,907,592</u>	<u>25,031,177</u>	<u>43,938,769</u>
Total assets	<u>26,954,751</u>	<u>30,350,888</u>	<u>57,305,639</u>	<u>25,302,304</u>	<u>30,173,056</u>	<u>55,475,360</u>
Deferred outflows of resources	<u>1,770,712</u>	<u>646,625</u>	<u>2,417,337</u>	<u>2,096,714</u>	<u>751,284</u>	<u>2,847,998</u>
Long-term liabilities	15,790,693	9,212,383	25,003,076	16,232,210	9,723,306	25,955,516
Other liabilities	<u>3,117,780</u>	<u>2,141,399</u>	<u>5,259,179</u>	<u>2,984,389</u>	<u>2,157,724</u>	<u>5,142,113</u>
Total liabilities	<u>18,908,473</u>	<u>11,353,782</u>	<u>30,262,255</u>	<u>19,216,599</u>	<u>11,881,030</u>	<u>31,097,629</u>
Deferred inflows of resources	<u>205,838</u>	<u>46,313</u>	<u>252,151</u>	<u>8,636</u>	<u>1,943</u>	<u>10,579</u>
Net position						
Net investment in capital assets	13,868,874	17,603,519	31,472,393	11,456,566	16,483,215	27,939,781
Restricted	1,702,667	1,201,141	2,903,808	2,231,844	1,221,770	3,453,614
Unrestricted	<u>(5,960,389)</u>	<u>792,758</u>	<u>(5,167,631)</u>	<u>(5,514,627)</u>	<u>1,336,382</u>	<u>(4,178,245)</u>
Total net position	<u>\$ 9,611,152</u>	<u>\$ 19,597,418</u>	<u>\$ 29,208,570</u>	<u>\$ 8,173,783</u>	<u>\$ 19,041,367</u>	<u>\$ 27,215,150</u>

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

The City has restricted net position totaling 9.9% of total net position, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted to be spent for specified capital projects, debt service reserves restricted by bond covenants and special revenue funds restricted for specific purposes. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations. Although this is a deficit balance in the amount of \$5,167,631, management sees this as a temporary reporting issue; due to the adjustment for change in pension accounting implemented in 2015. To recap the major categories of net position for the City as a whole, they are: restricted of \$1.7 million for all activities, deficit unrestricted of \$5.9 million for governmental activities and restricted of \$1.2 million for debt service and capital acquisition, and unrestricted of \$0.8 million for business-type activities.

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The governmental and business-type net position increased by approximately \$1.4M and \$556K, respectively, and is shown in the following table:

	Governmental Activities 2017	Business-type Activities 2017	Total 2017	Governmental Activities 2016	Business-type Activities 2016	Total 2016
Revenues						
Program revenues						
Charges for services	\$ 2,300,648	\$ 11,563,967	\$ 13,864,615	\$ 2,600,580	\$ 10,607,754	\$ 13,208,334
Operating grant and contribution	770,655	-	770,655	1,101,685	-	1,101,685
Capital grants and contributions	1,206,742	-	1,206,742	9,167	-	9,167
General Revenue						
Taxes and fees	12,882,801	-	12,882,801	12,017,343	-	12,017,343
Other	279,892	31,069	310,961	379,886	34,204	414,090
Total revenues	<u>17,440,738</u>	<u>11,595,036</u>	<u>29,035,774</u>	<u>16,108,661</u>	<u>10,641,958</u>	<u>26,750,619</u>
Program Expenses						
General government	1,167,993	-	1,167,993	2,245,826	-	2,245,826
Public safety	10,695,992	-	10,695,992	10,584,560	-	10,584,560
Public works	3,067,286	-	3,067,286	3,134,243	-	3,134,243
Community development and recreation	1,718,316	-	1,718,316	1,493,177	-	1,493,177
Interest and fiscal charges	171,188	-	171,188	99,701	-	99,701
Water and sewer	-	10,221,579	10,221,579	-	10,586,531	10,586,531
Total expenses	<u>16,820,775</u>	<u>10,221,579</u>	<u>27,042,354</u>	<u>17,557,507</u>	<u>10,586,531</u>	<u>28,144,038</u>
Increase (Decrease in Net Position Before Transfers)	619,963	1,373,457	1,993,420	(1,448,846)	55,427	(1,393,419)
Transfers	<u>817,406</u>	<u>(817,406)</u>	<u>-</u>	<u>1,097,289</u>	<u>(1,097,289)</u>	<u>-</u>
Change in Net Position	1,437,369	556,051	1,993,420	(351,557)	(1,041,862)	(1,393,419)
Net Position, Beginning of year	<u>8,173,783</u>	<u>19,041,367</u>	<u>27,215,150</u>	<u>8,525,340</u>	<u>20,083,229</u>	<u>28,608,569</u>
Net Position, End of Year	<u>\$ 9,611,152</u>	<u>\$ 19,597,418</u>	<u>\$ 29,208,570</u>	<u>\$ 8,173,783</u>	<u>\$ 19,041,367</u>	<u>\$ 27,215,150</u>

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

City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
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Governmental Activities: The City's governmental activities experienced an increase in net position of \$1,437,369, compared to a decrease of \$351,557 during the prior fiscal year. Key elements of the operational increase include:

- Revenues excluding transfers increased by \$1,322,000. The major changes in revenue from the prior year are as follows:
 - Charges for Services decreased by \$300,000. Major factors in this category were decreases in Court revenues through fines and fees of \$88,000.
 - Operating Grants decreased by \$331,000 over the prior year.
 - Capital Grants increased by 1.2 million over the prior year. These were "one-time" construction projects of the Economic Development Corporations.
 - Taxes and Fees increased by \$865,000. Property tax increased by \$497,000 while sales tax increased by \$471,000 while franchise fees and other taxes decreased by \$102,000.
- Transfers from the Business-type Activities to Governmental Activities as approved by City Council were budgeted at \$1,403,000 to be transferred from the Utility Fund to the General Fund. The amount budgeted for fiscal year 2017 was increased by \$353,000. Actual transfers were \$586,000 below the final budgeted amount for the year.

Business-type Activities: Revenue from the City's business-type activities increased by \$937 thousand. Total revenue increased from \$10.6 million in the prior year to \$11.5 million in the current year. Key elements are as follows:

- Water sales increased from \$3.8 million to \$4.2 million resulting from an increase in water and sewer rates in June 2017.
- Sewer sales increased from \$3.3 million to \$3.6 million.
- Trash service sales were 8.3% higher at \$2.9 million this year.
- Expenses of the City's business-type activities decreased by \$365 thousand over the prior year.
- The City Council approved the increase of water and sewer rates as of June 2017. This increase accounted for about four months of increased revenue. Additionally, the City did not incur debt issuance costs of \$206 thousand as in prior year.

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Financial Analysis of the City's Funds

Governmental Funds: The focus of the City's *Governmental Funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The GASB has defined five types of fund balances, which, are more fully described in the footnotes to the financials. The City uses three of the five types of fund balances defined: nonspendable, restricted and unassigned. At the end of the year, the City's governmental funds reported combined ending fund balances of \$3.5 million, compared to \$3.8 million at the end of the prior fiscal year.

The General Fund is the chief operating fund of the City. The unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year. When fiscal year 2017 ended the General Fund had \$1.7 million unassigned fund balance, compared to \$1.4 million unassigned fund balance in fiscal year 2016. 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 11.5% of total General Fund expenditures compared to 9.9% of total General Fund expenditures 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 \$556 thousand; from \$19.0 million to \$19.6 million in the current fiscal year.

General Fund Budgetary Highlights

For fiscal year 2017 General Fund actual revenues were greater than budget by \$227,165. The largest element of the increase was taxes and fees revenue of \$465,998, or 4%. License and permits exceeded budget by \$20,000 or 4% primarily due to an increase in building permits of \$48,745 due to construction within the City.

For fiscal year 2017 the City Council adopted a General Fund operating budget that included expenditures of \$14,756,774. That was later amended to a total of \$14,453,000.

For fiscal year 2017 General Fund actual expenditures came in over budget by \$512,540 primarily related to increase the Hickory Tree Extension project that was paid for by the City but reimbursed by the Industrial and Community Economic Development Funds.

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

City of Balch Springs, Texas
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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, 2017, totaled \$46,090,030, a \$2,151,261 increase over the prior fiscal year's balance of \$43,938,769. The investment in capital assets includes land, buildings, improvements, equipment, construction in progress and infrastructure. There were no major projects to report as construction in progress this year. A street improvement project consisted of much of the current year increase.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,409,837	\$ 1,409,837	\$ 792,616	\$ 792,616	\$ 2,202,453	\$ 2,202,453
Building	7,872,321	7,862,331	2,441,861	2,424,944	10,314,182	10,287,275
Improvements	4,621,910	1,358,822	-	-	4,621,910	1,358,822
Vehicles	4,698,342	5,119,130	-	1,987,886	4,698,342	7,107,016
Equipment	2,345,651	1,869,070	3,965,377	1,773,697	6,311,028	3,642,767
Construction in progress	175,715	76,167	92,676	268,319	268,391	344,486
Streets and bridges	8,792,428	9,526,623	-	-	8,792,428	9,526,623
System improvements	-	-	33,833,237	32,841,075	33,833,237	32,841,075
Accumulated depreciation	(9,236,612)	(8,314,388)	(15,715,329)	(15,057,360)	(24,951,941)	(23,371,748)
Total	\$ 20,679,592	\$ 18,907,592	\$ 25,410,438	\$ 25,031,177	\$ 46,090,030	\$ 43,938,769

Remaining construction project costs as of September 30, 2017, include the following items:

- Backup generators with total costs of \$163,095 of which \$154,940 has been paid as of year-end.
- Emergency siren upgrades with a total cost of \$53,541 of which \$47,999 has been paid as of year-end.
- Street improvements with total project budgets under contract of \$19,400 of which \$8,640 has been paid as of year-end.
- Police Ford interceptor at a total cost of \$48,658 of which \$26,409 has been paid as of year-end.

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

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 5,025,000	\$ 5,475,000	\$ -	\$ -	\$ 5,025,000	\$ 5,475,000
Revenue bonds	-	-	7,405,000	8,110,000	7,405,000	8,110,000
Capital leases	1,478,932	1,636,074	-	-	1,478,932	1,636,074
Net pension liability	6,687,518	6,793,383	1,504,691	1,528,511	8,192,209	8,321,894
Total	\$ 13,191,450	\$ 13,904,457	\$ 8,909,691	\$ 9,638,511	\$ 22,101,141	\$ 23,542,968

City of Balch Springs, Texas
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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 2017 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.088232, which is significantly below the maximum allowable tax rate.

As of September 30, 2017, the City's total outstanding debt has decreased by \$1,441,827, or 6.1% from the prior fiscal year. The decrease in outstanding debt is attributed an increase in the net pension liability and issuance of two capital leases during the year.

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

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

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

Per the Bureau of Labor Statistics the Dallas/Fort Worth Metroplex December unemployment rate decreased to 3.4% from 4.1% the year before. Property tax values and sales tax collections were slightly higher as the region continues to show slow, but steady growth.

The Property Tax rate for Fiscal Year 2017 was \$0.803 per \$100 of assessed value. The budget for Fiscal Year 2018 included the same rate of \$0.803 per \$100 of assessed value.

Requests for Information

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

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

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Basic Financial Statements

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City of Balch Springs, Texas
Statement of Net Position
September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,607,072	\$ 988,503	\$ 4,595,575	\$ 3,576,569
Receivables, net of allowance				
Ad valorem taxes, net	1,182,312	-	1,182,312	-
Sales tax	785,921	-	785,921	314,438
Fines	598,009	-	598,009	-
Notes	-	-	-	300,000
Accounts	-	1,193,097	1,193,097	-
Other	75,152	-	75,152	14,961
Prepaid insurance	26,693	49,121	75,814	-
Inventory	-	186,900	186,900	-
Restricted cash equivalents	-	2,522,829	2,522,829	-
Capital assets, net of accumulated depreciation				
Non-depreciable	1,585,552	885,293	2,470,845	2,088,051
Depreciable	19,094,040	24,525,145	43,619,185	-
Total assets	<u>26,954,751</u>	<u>30,350,888</u>	<u>57,305,639</u>	<u>6,294,019</u>
Deferred Outflows of Resources				
Employer contributions—Pensions	807,513	181,689	989,202	20,188
Investment return losses—Pensions	766,405	172,441	938,846	19,160
Experience losses—Pensions	196,794	44,279	241,073	4,920
Deferred loss on debt refunding	-	248,216	248,216	-
Total deferred outflows of resources	<u>1,770,712</u>	<u>646,625</u>	<u>2,417,337</u>	<u>44,268</u>
Liabilities				
Accounts payable	813,454	1,044,769	1,858,223	183,062
Accrued liabilities	1,235,766	86,269	1,322,035	9,368
Accrued interest payable	13,860	15,487	29,347	5,477
Other liabilities	-	374,608	374,608	-
Due to other governments	61,040	-	61,040	-
Long-term liabilities				
Due within one year	993,660	620,266	1,613,926	325,741
Due in more than one year	9,103,175	7,707,692	16,810,867	2,781,673
Net pension liability	6,687,518	1,504,691	8,192,209	167,188
Total liabilities	<u>18,908,473</u>	<u>11,353,782</u>	<u>30,262,255</u>	<u>3,472,509</u>
Deferred Inflows of Resources				
Experience gains—Pensions	205,280	46,188	251,468	5,132
Change of assumptions gains—Pensions	558	125	683	14
Total deferred inflows of resources	<u>205,838</u>	<u>46,313</u>	<u>252,151</u>	<u>5,146</u>
Net Position				
Net investment in capital assets	13,868,874	17,603,519	31,472,393	(140,736)
Restricted for				
Debt service	224,298	625,054	849,352	-
Housing program	6,608	-	6,608	-
Construction	944,937	576,087	1,521,024	-
Public safety	309,532	-	309,532	-
Economic development	217,292	-	217,292	-
Unrestricted	(5,960,389)	792,758	(5,167,631)	3,001,368
Total net position	<u>\$ 9,611,152</u>	<u>\$ 19,597,418</u>	<u>\$ 29,208,570</u>	<u>\$ 2,860,632</u>

City of Balch Springs, Texas
Statement of Activities
Year Ended September 30, 2017

Functions/Program	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,167,993	\$ 534,654	\$ -	\$ -
Public safety	10,695,992	1,548,813	37,082	-
Public works	3,067,286	34,970	208,757	1,206,742
Community development and recreation	1,718,316	182,211	524,816	-
Interest on long-term debt	171,188	-	-	-
Total governmental activities	<u>16,820,775</u>	<u>2,300,648</u>	<u>770,655</u>	<u>1,206,742</u>
Business-type activities				
Utility fund	<u>10,221,579</u>	<u>11,563,967</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>10,221,579</u>	<u>11,563,967</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 27,042,354</u>	<u>\$ 13,864,615</u>	<u>\$ 770,655</u>	<u>\$ 1,206,742</u>
Component units				
Balch Springs Industrial and Economic Development Corporation	\$ 1,618,186	\$ -	\$ -	\$ -
Bach Springs Community and Economic Development Corporation	<u>585,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 2,204,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues		
		Taxes		
		Property taxes		
		Sales taxes		
		Franchise taxes		
		Other local taxes		
		Interest on investments		
		Gain on sale of land		
		Miscellaneous		
		Transfers		
		Total general revenues and transfers		
		Change in Net Position		
		Net Position, Beginning of Year		
		Net Position, End of Year		

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (633,339)	\$ -	\$ (633,339)	\$ -
(9,110,097)	-	(9,110,097)	-
(1,616,817)	-	(1,616,817)	-
(1,011,289)	-	(1,011,289)	-
(171,188)	-	(171,188)	-
<u>(12,542,730)</u>	<u>-</u>	<u>(12,542,730)</u>	<u>-</u>
<u>-</u>	<u>1,342,388</u>	<u>1,342,388</u>	<u>-</u>
<u>-</u>	<u>1,342,388</u>	<u>1,342,388</u>	<u>-</u>
<u>\$ (12,542,730)</u>	<u>\$ 1,342,388</u>	<u>\$ (11,200,342)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (1,618,186)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(585,830)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,204,016)</u>
\$ 7,246,414	\$ -	\$ 7,246,414	\$ -
4,572,367	-	4,572,367	1,828,946
1,000,875	-	1,000,875	-
63,145	-	63,145	-
9,515	28,459	37,974	6,788
-	-	-	-
270,377	2,610	272,987	110,572
817,406	(817,406)	-	-
<u>13,980,099</u>	<u>(786,337)</u>	<u>13,193,762</u>	<u>1,946,306</u>
1,437,369	556,051	1,993,420	(257,710)
<u>8,173,783</u>	<u>19,041,367</u>	<u>27,215,150</u>	<u>3,118,342</u>
<u>\$ 9,611,152</u>	<u>\$ 19,597,418</u>	<u>\$ 29,208,570</u>	<u>\$ 2,860,632</u>

City of Balch Springs, Texas
Balance Sheet – Governmental Funds
September 30, 2017

Assets	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 1,709,289	\$ 1,897,783	\$ 3,607,072
Receivables (net of allowance for uncollectibles)			
Taxes	955,114	227,198	1,182,312
Sales tax	785,921	-	785,921
Fines	598,009	-	598,009
Other	35,410	39,742	75,152
Prepaid items	<u>26,193</u>	<u>500</u>	<u>26,693</u>
 Total assets	 <u><u>\$ 4,109,936</u></u>	 <u><u>\$ 2,165,223</u></u>	 <u><u>\$ 6,275,159</u></u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts and contracts payable	\$ 699,520	\$ 113,934	\$ 813,454
Accrued liabilities	627,552	280,579	908,131
Due to other governments	<u>61,040</u>	<u>-</u>	<u>61,040</u>
 Total liabilities	 <u>1,388,112</u>	 <u>394,513</u>	 <u>1,782,625</u>
Deferred inflows of resources			
Unavailable revenues property taxes	392,465	67,543	460,008
Unavailable revenues court fines	<u>531,820</u>	<u>-</u>	<u>531,820</u>
 Total deferred inflow of resources	 <u>924,285</u>	 <u>67,543</u>	 <u>991,828</u>
Fund balances			
Nonspendable for prepaid items	26,193	500	26,693
Restricted for			
Debt service	-	224,298	224,298
Housing program	-	6,608	6,608
Street maintenance	-	944,937	944,937
Public safety	-	309,532	309,532
Economic development	-	217,292	217,292
Unassigned	<u>1,771,346</u>	<u>-</u>	<u>1,771,346</u>
 Total fund balances	 <u>1,797,539</u>	 <u>1,703,167</u>	 <u>3,500,706</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 4,109,936</u></u>	 <u><u>\$ 2,165,223</u></u>	 <u><u>\$ 6,275,159</u></u>

City of Balch Springs, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2017

Total fund balances – governmental funds \$ 3,500,706

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

Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation. 20,679,592

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. (13,860)

Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements. 991,828

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

Employer contributions	\$ 807,513	
Investment return difference (GASB 68)	766,405	
Experience difference, net (GASB 68)	(8,486)	
Change of assumptions (GASB 68)	(558)	
		1,564,874

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

General obligation bonds	\$ (5,025,000)	
Premiums on bond debt	(292,926)	
Compensated absences	(3,299,977)	
Capital leases	(1,478,932)	
Other obligations	(327,635)	
Pension obligation	(6,687,518)	
		(17,111,988)

Net position of governmental activities \$ 9,611,152

City of Balch Springs, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes and fees	\$ 11,241,998	\$ 1,640,383	\$ 12,882,381
Licenses and permits	523,000	-	523,000
Intergovernmental	104,460	599,604	704,064
Charges for services	182,211	13,580	195,791
Fines and forfeitures	910,959	647,295	1,558,254
Interest	9,345	170	9,515
Miscellaneous	46,538	163,216	209,754
	<u>13,018,511</u>	<u>3,064,248</u>	<u>16,082,759</u>
Expenditures			
Current			
General government	1,003,808	-	1,003,808
Public safety	9,192,211	591,033	9,783,244
Public works	1,983,414	606,849	2,590,263
Community development and recreation	1,489,616	24,341	1,513,957
Capital outlay	1,093,339	1,647,741	2,741,080
Debt service			
Principal retirement	157,126	450,000	607,126
Interest and fiscal charges	46,026	172,961	218,987
	<u>14,965,540</u>	<u>3,492,925</u>	<u>18,458,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,947,029)</u>	<u>(428,677)</u>	<u>(2,375,706)</u>
Other financing sources (uses)			
Operating transfers in	917,406	-	917,406
Operating transfers out	-	(100,000)	(100,000)
Transfers from component units	1,196,165	-	1,196,165
Insurance recoveries	60,623	-	60,623
	<u>2,174,194</u>	<u>(100,000)</u>	<u>2,074,194</u>
Net Change in Fund Balances	227,165	(528,677)	(301,512)
Fund Balances, Beginning of Year	<u>1,570,374</u>	<u>2,231,844</u>	<u>3,802,218</u>
Fund Balances, End of Year	<u>\$ 1,797,539</u>	<u>\$ 1,703,167</u>	<u>\$ 3,500,706</u>

City of Balch Springs, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2017

Net change in fund balances – total governmental funds	\$	(301,512)
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.		2,741,080
Certain revenues reported in the statement of activities do not provide the use of current financial resources and, therefore, are not reported as revenues in governmental funds. These revenues were recognized from receipt of capital assets.		77,168
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.		(991,463)
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	\$ 450,000	
Capital leases	<u>157,142</u>	607,142
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources.		(417,339)
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.		(360,248)
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.		(750)
Certain revenues and expenses in the government-wide statement of activities that do not provide or require current financial resources are not reported as revenues in the governmental funds. This is the net change in these balances for the year.		<u>83,291</u>
Change in net position of governmental activities	\$	<u><u>1,437,369</u></u>

City of Balch Springs, Texas
Statement of Net Position
Proprietary Funds
September 30, 2017

	Utility Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 988,503
Receivables (net of allowance for uncollectibles)	
Accounts	1,193,097
Prepaid expenses	49,121
Inventory	186,900
	2,417,621
Total current assets	2,417,621
Noncurrent Assets	
Restricted cash and cash equivalents	2,522,829
Capital Assets	
Land	792,615
Construction in progress	92,678
Buildings	2,441,861
Machinery, equipment and vehicles	4,521,250
Water and sewer distribution systems	33,277,363
Less accumulated depreciation	(15,715,329)
	27,933,267
Total noncurrent assets	27,933,267
Total assets	30,350,888
Deferred Outflows of Resources	
Employer contributions—Pensions	181,689
Investment return losses—Pensions	172,441
Experience losses—Pensions	44,279
Deferred loss on debt refunding	248,216
	646,625
Total deferred outflows of resources	646,625

Liabilities

Current Liabilities

Accounts payable	\$	1,044,769
Accrued wages		86,269
Compensated absences		53,652
Payable from restricted resources		
Bonds payable		566,614
Accrued interest payable		15,487
Customer meter deposits		374,608
		<hr/>
Total current liabilities		2,141,399

Noncurrent Liabilities

Bonds payable		7,224,818
Net pension liability		1,504,691
Compensated absences		482,874
		<hr/>
Total noncurrent liabilities		9,212,383

Total liabilities		<hr/> <u>11,353,782</u>
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Deferred Inflows of Resources

Experience gains—Pensions		46,188
Change of assumptions gains—Pensions		125
		<hr/>
Total deferred inflows of resources		<u>46,313</u>

Net Position

Net investment in capital assets		17,603,519
Restricted for		
Debt service		625,054
Construction		576,087
Unrestricted		792,758
		<hr/>
Total net position	\$	<u><u>19,597,418</u></u>

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City of Balch Springs, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2017

	Utility Fund
Operating Revenues	
Charges for services	\$ 11,563,967
Miscellaneous	2,610
	11,566,577
Total operating revenues	
Operating Expenses	
Personnel services	2,013,353
Professional services	77,380
Materials and supplies	150,334
Utilities	181,830
Repairs and maintenance	434,014
Minor equipment and rental	45,950
Benefits provided	469,344
Insurance	98,135
Purchase of water	1,485,781
Sewage	1,686,460
Solid waste	2,534,941
Other services and charges	205,025
Depreciation and amortization	647,650
	10,030,197
Total operating expenses	
Operating Income	1,536,380
Nonoperating Revenues (Expenses)	
Interest revenue	28,459
Interest and fiscal charges	(191,382)
	(162,923)
Total nonoperating revenues (expenses)	
Income Before Transfers	1,373,457
Transfers Out	(817,406)
Change in Net Position	556,051
Net Position, Beginning of Year	19,041,367
Net Position, End of Year	\$ 19,597,418

City of Balch Springs, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2017

	Business-type Activities Utility Enterprise Fund
Operating Activities	
Cash received from customers	\$ 11,407,099
Cash paid to employees for services	(1,831,199)
Cash paid for goods and services	(7,231,781)
Net cash provided by operating activities	2,344,119
Noncapital Financing Activities	
Transfers of cash to other funds	(807,087)
Net cash used in noncapital financing activities	(807,087)
Capital and Related Financing Activities	
Principal paid on revenue bond maturities	(705,000)
Interest paid	(213,825)
Acquisition of capital assets	(1,037,230)
Net cash used in capital and related financial activities	(1,956,055)
Investing Activities	
Interest income	28,459
Net cash provided by investing activities	28,459
Net Decrease in Cash and Cash Equivalents	(390,564)
Cash and Cash Equivalents, Beginning of Year	3,901,896
Cash and Cash Equivalents, End of Year	\$ 3,511,332

	Business-type Activities Utility Enterprise Fund
	<hr/>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	\$ 1,536,380
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	647,650
Change in assets and liabilities	
Increase in accounts receivable	(178,046)
Decrease in inventories	26,946
Decrease in prepaid expenses	(38,035)
Increase in accounts payable and accrued liabilities	148,502
Increase in compensated absences	88,251
Increase in customer deposits	18,568
Increase in net pension liability, net of deferred resources	<hr/> 93,903
Net cash provided by operating activities	<hr/> <hr/> \$ 2,344,119

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City of Balch Springs, Texas
Statement of Net Position
Component Units
September 30, 2017

	Balch Springs Industrial and Economic Development Corporation	Balch Springs Community and Economic Development Corporation	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,535,170	\$ 1,041,399	\$ 3,576,569
Receivables			
Sales tax	157,219	157,219	314,438
Notes	-	300,000	300,000
Interest	-	14,961	14,961
	<u>2,692,389</u>	<u>1,513,579</u>	<u>4,205,968</u>
Total current assets			
Noncurrent Assets			
Capital assets not being depreciated			
Land	2,088,051	-	2,088,051
	<u>2,088,051</u>	<u>-</u>	<u>2,088,051</u>
Total noncurrent assets			
	<u>2,088,051</u>	<u>-</u>	<u>2,088,051</u>
Total assets			
	<u>4,780,440</u>	<u>1,513,579</u>	<u>6,294,019</u>
Deferred Outflows of Resources			
Employer contributions—Pensions	10,094	10,094	20,188
Investment return losses—Pensions	9,580	9,580	19,160
Experience losses—Pensions	2,460	2,460	4,920
	<u>22,134</u>	<u>22,134</u>	<u>44,268</u>
Total deferred outflows of resources			
	<u>22,134</u>	<u>22,134</u>	<u>44,268</u>
Liabilities			
Current liabilities			
Accounts payable	137,326	45,736	183,062
Accrued liabilities	4,684	4,684	9,368
Accrued interest payable	5,313	164	5,477
Current portion of compensated absences	2,871	2,871	5,741
Current portion of bonds payable	150,000	170,000	320,000
	<u>300,194</u>	<u>223,455</u>	<u>523,648</u>
Total current liabilities			
	<u>300,194</u>	<u>223,455</u>	<u>523,648</u>
Noncurrent liabilities			
Compensated absences	25,836	25,836	51,673
Bonds payable	2,730,000	-	2,730,000
Net pension liability	83,594	83,594	167,188
	<u>2,839,430</u>	<u>109,430</u>	<u>2,948,861</u>
Total noncurrent liabilities			
	<u>2,839,430</u>	<u>109,430</u>	<u>2,948,861</u>
Total liabilities			
	<u>3,139,624</u>	<u>332,885</u>	<u>3,472,509</u>
Deferred Inflows of Resources			
Experience gains—Pensions	2,566	2,566	5,132
Change of assumptions gains—Pensions	7	7	14
	<u>2,573</u>	<u>2,573</u>	<u>5,146</u>
Total deferred inflows of resources			
	<u>2,573</u>	<u>2,573</u>	<u>5,146</u>
Net Position			
Net investment in capital assets	(140,736)	-	(140,736)
Unrestricted	1,801,113	1,200,255	3,001,368
	<u>1,660,377</u>	<u>1,200,255</u>	<u>2,860,632</u>
Total net position			
	<u>\$ 1,660,377</u>	<u>\$ 1,200,255</u>	<u>\$ 2,860,632</u>

City of Balch Springs, Texas
Statement of Activities
Component Units
Year Ended September 30, 2017

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component units			
Balch Springs Industrial and Economic Development Corporation	\$ 1,618,186	\$ -	\$ -
Balch Springs Community and Economic Development Corporation	585,830	-	-
Total component units	\$ 2,204,016	\$ -	\$ -
	General revenues		
	Taxes		
	Sales taxes		
	Investment earnings		
	Gain on sale of land		
	Miscellaneous		
	Total general revenues and transfers		
	Change in Net Position		
	Net Position, Beginning of Year		
	Net Position, End of Year		

Component Units		
Balch Springs Industrial and Economic Development Corporation	Balch Springs Community and Economic Development Corporation	Total
\$ (1,618,186)	\$ -	\$ (1,618,186)
<u>-</u>	<u>(585,830)</u>	<u>(585,830)</u>
<u>(1,618,186)</u>	<u>(585,830)</u>	<u>(2,204,016)</u>
914,473	914,473	1,828,946
5,125	1,663	6,788
-	-	-
<u>95,541</u>	<u>15,031</u>	<u>110,572</u>
<u>1,015,139</u>	<u>931,167</u>	<u>1,946,306</u>
(603,047)	345,337	(257,710)
<u>2,263,424</u>	<u>854,918</u>	<u>3,118,342</u>
<u>\$ 1,660,377</u>	<u>\$ 1,200,255</u>	<u>\$ 2,860,632</u>

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City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2017

Note 1: Significant Accounting Policies

General Statement

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

Reporting Entity

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

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

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2017

Basis of Presentation

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

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

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

Fund Financial Statements

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

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

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

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2017

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

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

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

Classification of Fund Equity

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

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

Measurement Focus

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

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

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2017

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

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

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

Basis of Accounting

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

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

Governmental Fund financial statements are reported using the modified accrual basis for accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Cash and Cash Equivalents

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2017

Investments

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

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the state of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds and certificates of deposits within established criterion. As of September 30, 2017, all investments were in external investment pools.

Allowance for Uncollectible Accounts

An allowance for uncollectible taxes including penalties and interest, and water and sewer billed receivables is provided based on an analysis of historical trends. The allowances at September 30, 2017, were \$70,749 for uncollectible taxes, \$939,000 for water and sewer billings and \$3,475,087 for court fees and fines.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

Capital assets, which include property, plant equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for Proprietary Funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. 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, 2017

Assets capitalized have a useful life of over one year. Depreciation, which includes amortization of assets under capital leases, is recorded on each class of depreciable property utilizing the straight-line method over the shorter of the estimated useful life or lease term of the related assets at the acquisition date or date placed in service. Estimated useful lives of major categories of property are:

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

Accumulated Unpaid Vacations, Sick Leave and Other Employee Benefit Amounts

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

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

Vacation time for the City’s Police and Fire Department employees will accumulate up to 15 days (120 hours) per year with accumulation from year to year only upon the approval of the City Council. All other employees will accrue vacation according to length of service and accumulation from year to year will be only upon the approval of the City Manager. Upon termination, all employees will be paid for their accumulated vacation time. At September 30, 2017, the liability for accrued compensated absences is approximately \$3,837,000. The amount expected to be paid from current resources is immaterial.

Defined Benefit Pension Plans

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

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

- Difference in projected and actual experience (pensions) – This difference is deferred and recognized over the estimated average remaining service lives of all members determined as of the beginning of the measurement period.
- Change of assumptions (pensions) – This difference is deferred and recognized over the estimated average remaining service lives of all members determined as of the beginning of the measurement period.
- Unavailable revenue – This amount represents property taxes and court fines receivable that were not collected within the 60-day availability period subsequent to year-end. This amount is deferred and recognized once payments are made in the following fiscal year.

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2017

New Pronouncements

The City has adopted and implemented the following GASB statements which have become effective for the fiscal year 2017:

GASB Statement No. 77, *Tax Abatement Disclosures*

- This Statement requires disclosures to be made regarding tax abatements of the City and of other governments affecting tax revenues of the City. Implementation of this Statement resulted in additional note disclosures by the City; however, the statement had no impact on any amounts reported by the City within any of the basic financial statements as listed in the table of contents.

Note 2: Cash and Investments

At year-end, the carrying amount of the City's cash and cash equivalents was \$10,715,285 (composed of \$7,219,804 related to the primary government and \$3,495,481 related to discretely presented component units). Corresponding bank deposit balances on September 30, 2017, 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, 2017, the City's investments were fully comprised of external investment pools.

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

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.

City of Balch Springs, Texas

Notes to Basic Financial Statements

September 30, 2017

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

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

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

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

Credit Risk

In compliance with the City's Investment Policy as of September 30, 2017, 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.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

Investments carried as cash equivalents due to liquidity measures as of September 30, 2017, are as follows:

	Carrying Amount	Fair Value	Weighted- Average Maturity (Years)
Primary Government			
TexPool	\$ 4,355,537	\$ 4,355,537	0.003
LOGIC	<u>1,209,518</u>	<u>1,209,518</u>	0.003
Total primary government	<u>5,565,055</u>	<u>5,565,055</u>	
Component Units			
TexPool	<u>228,662</u>	<u>228,662</u>	0.003
Total component units	<u>228,662</u>	<u>228,662</u>	
Total	<u><u>\$ 5,793,717</u></u>	<u><u>\$ 5,793,717</u></u>	

Deposits and investments as of September 30, 2017, are as follows:

Primary Government	
Deposits	\$ 1,533,349
Investments	3,042,226
Restricted investments	<u>2,522,829</u>
Total primary government	<u>7,098,404</u>
Component Units	
Deposits	3,436,604
Investments	<u>139,965</u>
Total component units	<u>3,576,569</u>
Total cash and cash equivalents	<u><u>\$ 10,674,973</u></u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

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, 2017, were 99.8% of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days are recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of \$1.50 per \$100 assessed valuation. For the year ended September 30, 2017, the City had a combined tax rate to finance general government service and debt service of \$.803 per \$100.00 assessed valuation.

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

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

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

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

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, 2017, interfund transactions were as follows:

	Transfer In			Total
	Governmental Activities	General	Nonmajor Governmental	
Transfers out				
General Fund	\$ -	\$ -	\$ -	\$ -
Utility Fund—non-capital	-	817,406	-	817,406
Utility Fund—capital	10,319	-	-	10,319
Nonmajor governmental	-	100,000	-	100,000
	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total transfers out	<u>\$ 10,319</u>	<u>\$ 917,406</u>	<u>\$ -</u>	<u>\$ 927,725</u>

Note 5: Interfund Assets/Liabilities

Interfund balances reflect payments made by one fund on behalf of another fund for which cash settlement has not been made as of the end of the accounting period. Amounts due to and from other funds will be settled within the next accounting period. As of September 30, 2017, there were no interfund assets or liabilities.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

Note 6: Fixed Assets

Governmental Funds

Capital assets of the Governmental Activities are as follows:

	Balance September 30, 2016	Increases	Decreases	Transfers	Balance September 30, 2017
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 1,409,837	\$ -	\$ -	\$ -	\$ 1,409,837
CIP	76,167	1,706,577	-	(1,607,029)	175,715
Total capital assets not being depreciated	<u>1,486,004</u>	<u>1,706,577</u>	<u>-</u>	<u>(1,607,029)</u>	<u>1,585,552</u>
Capital assets being depreciated					
Buildings	7,862,331	-	-	9,990	7,872,321
Improvements	1,358,822	36,582	-	3,226,506	4,621,910
Equipment and furniture	1,869,070	76,559	-	400,022	2,345,651
Vehicles	5,119,130	110,865	(124,024)	(407,629)	4,698,342
Infrastructure	9,526,623	887,665	-	(1,621,860)	8,792,428
Total capital assets being depreciated	25,735,976	1,111,671	(124,024)	1,607,029	28,330,652
Less accumulated depreciation	<u>8,314,388</u>	<u>991,463</u>	<u>(58,920)</u>	<u>(10,319)</u>	<u>9,236,612</u>
Total capital assets being depreciated, net	<u>17,421,588</u>	<u>120,208</u>	<u>(182,944)</u>	<u>1,596,710</u>	<u>19,094,040</u>
Governmental activities capital assets, net	<u>\$ 18,907,592</u>	<u>\$ 1,826,785</u>	<u>\$ (182,944)</u>	<u>\$ (10,319)</u>	<u>\$ 20,679,592</u>

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

General and administrative	\$ 7,935
Public safety	495,409
Public works	283,760
Culture and recreation	204,359
Total depreciation expense – governmental activities	<u>\$ 991,463</u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

Enterprise Fund

Capital assets of the Enterprise Fund are as follows:

	Balance September 30, 2016	Increases	Decreases	Transfers	Balance September 30, 2017
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 263,984	\$ -	\$ -	\$ -	\$ 263,984
Right of way easements	528,632	-	-	-	528,632
Construction in progress	268,319	345,177	-	(520,819)	92,677
Total capital assets not being depreciated	1,060,935	345,177	-	(520,819)	885,293
Capital assets being depreciated					
Buildings	2,424,944	-	-	16,917	2,441,861
Equipment	3,761,583	229,779	-	(25,985)	3,965,377
Infrastructure and improvements	32,841,075	462,274	-	529,887	33,833,236
Total capital assets being depreciated	39,027,602	692,053	-	520,819	40,240,474
Less accumulated depreciation	15,057,360	647,650	-	10,319	15,715,329
Total capital assets being depreciated, net	23,970,242	44,403	-	510,500	24,525,145
Business-type activities capital assets, net	\$ 25,031,177	\$ 389,580	\$ -	\$ (10,319)	\$ 25,410,438

Depreciation expense of \$647,650 was charged as a direct expense to the Utility fund within the primary government.

Discretely Presented Component Units

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

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
Balch Springs Community and Economic Development Corporation				
Capital assets not being depreciated				
Construction in progress	\$ 100,674	\$ -	\$ (100,674)	\$ -
Land	2,239,117	-	(151,066)	2,088,051
Total capital assets not being depreciated	\$ 2,239,117	\$ -	\$ (151,066)	\$ 2,088,051

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

Note 7: Long-term Liabilities

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

	Balance September 30, 2016	Additions	Retirements	Balance September 30, 2017	Due Within One-Year
Governmental Activities					
General obligation bonds	\$ 5,475,000	\$ -	\$ (450,000)	\$ 5,025,000	\$ 455,000
Premiums on bond debt	339,952	-	(47,026)	292,926	47,049
Compensated absences	2,939,729	1,258,904	(898,656)	3,299,977	329,998
Capital leases	1,636,074	-	(157,142)	1,478,932	161,613
Net pension liability	6,793,383	-	(105,865)	6,687,518	-
Total governmental activities	<u>\$ 17,184,138</u>	<u>\$ 1,258,904</u>	<u>\$ (1,658,689)</u>	<u>\$ 16,784,353</u>	<u>\$ 993,660</u>
Business-type Activities					
Revenue bonds	\$ 8,110,000	\$ -	\$ (705,000)	\$ 7,405,000	\$ 515,000
Premiums on bond debt	438,046	-	(51,614)	386,432	51,614
Compensated absences	448,275	195,732	(107,481)	536,526	53,652
Net pension liability	1,528,511	-	(23,820)	1,504,691	-
Total business-type activities	<u>\$ 10,524,832</u>	<u>\$ 195,732</u>	<u>\$ (887,915)</u>	<u>\$ 9,832,649</u>	<u>\$ 620,266</u>
Discretely Presented Component Unit					
Revenue bonds	\$ 3,335,000	\$ -	\$ (285,000)	\$ 3,050,000	\$ 320,000
Compensated absences	36,282	36,299	(15,167)	57,414	5,741
Net pension liability	169,834	-	(2,646)	167,188	-
Total discretely presented component units	<u>\$ 3,541,116</u>	<u>\$ 36,299</u>	<u>\$ (302,813)</u>	<u>\$ 3,274,602</u>	<u>\$ 325,741</u>

General long-term debt consists of capital leases, liabilities for accrued vacation leave and general obligation bonds, which are direct obligations, issued on the full faith and credit of the City. Principal and interest payments on the general obligation bonds are secured by ad valorem taxes levied on all taxable property within the City, and made in the Debt Service fund. Although these bonds are secured by the full faith and credit of the City, they have no specific claim against Utility Fund assets. Debt service requirements of the Utility fund including principal and interest are secured by operating revenues of the Utility fund and are expected to be less than 50% of net revenues. Accordingly, this debt is reflected as an obligation of the Utility Fund. Proceeds from Utility fund debt issued are for the primary purpose of water and sewer distribution system improvements. Debt service requirements of the component units are secured and paid for by sales tax revenues. The total pledged revenue for each related debt issuance are included in the amortization tables later in this note.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

General obligation bonds and revenue bonds outstanding at September 30, 2017, consist of the following:

	Governmental Activities	Water and Sewer	Total Primary Government	Component Unit
<u>General Obligation Bonds</u>				
\$7,200,000, 2012 General Obligation Refunding Bonds, due in annual installments through August 1, 2027, 2.00% – 3.50%	\$ 5,025,000	\$ -	\$ 5,025,000	\$ -
<u>Revenue Bonds</u>				
\$2,570,000, 2011 Revenue Refunding Bonds, due in annual installments through September 1, 2021, 2.00% – 4.00%	\$ -	\$ 610,000	\$ 610,000	\$ -
\$1,175,000, 2011 Sales Tax Revenue Refunding Bonds, due in bi-annual installments through August 15, 2018, 3.09%	-	-	-	170,000
\$1,365,000, 2015 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2025, 3.55%	-	-	-	1,125,000
\$6,795,000, 2016 Revenue Refunding Bonds, due in annual installments through September 1, 2031, 2.15%	-	6,795,000	6,795,000	-
\$1,755,000, 2016 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2032, 4.99%	-	-	-	1,755,000
	<u>\$ -</u>	<u>\$ 7,405,000</u>	<u>\$ 7,405,000</u>	<u>\$ 3,050,000</u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

The annual requirements to amortize the long-term debt as of September 30, 2017, are as follows:

General Obligation Bonds			
Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2018	\$ 455,000	\$ 166,325	\$ 621,325
2019	470,000	152,675	622,675
2020	485,000	138,575	623,575
2021	500,000	124,025	624,025
2022	515,000	109,025	624,025
2023-2027	<u>2,600,000</u>	<u>271,075</u>	<u>2,871,075</u>
Total	<u>\$ 5,025,000</u>	<u>\$ 961,700</u>	<u>\$ 5,986,700</u>

Revenue Bonds			
Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 515,000	\$ 185,845	\$ 700,845
2019	530,000	172,045	702,045
2020	540,000	160,645	700,645
2021	550,000	148,945	698,945
2022	495,000	132,445	627,445
2023-2027	2,715,000	430,025	3,145,025
2028-2031	<u>2,060,000</u>	<u>95,675</u>	<u>2,155,675</u>
Total	<u>\$ 7,405,000</u>	<u>\$ 1,325,625</u>	<u>\$ 8,730,625</u>

Revenue Bonds			
Fiscal Year	Discretely Presented Component Units		
	Principal	Interest	Total
2018	\$ 320,000	\$ 131,453	\$ 451,453
2019	155,000	121,827	276,827
2020	160,000	115,965	275,965
2021	165,000	109,925	274,925
2022	165,000	103,707	268,707
2023-2027	920,000	418,814	1,338,814
2028-2032	<u>1,165,000</u>	<u>180,139</u>	<u>1,345,139</u>
Total	<u>\$ 3,050,000</u>	<u>\$ 1,181,830</u>	<u>\$ 4,231,830</u>

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

As of September 30, 2017, vehicles purchased under capital leases are carried at \$1,758,386 with accumulated depreciation of \$217,210. Amortization of these assets is included with depreciation expense.

Fiscal Year	Capital Leases		
	Governmental Activities		
	Principal	Interest	Total
2018	\$ 161,613	\$ 41,539	\$ 203,152
2019	166,213	36,939	203,152
2020	170,927	32,208	203,135
2021	152,335	27,347	179,682
2022	156,584	23,097	179,681
2023 - 2026	<u>671,260</u>	<u>70,561</u>	<u>741,821</u>
Total	<u>\$ 1,478,932</u>	<u>\$ 231,691</u>	<u>\$ 1,710,623</u>

Note 8: Retirement Plan

Plan Description

The City and its two component units participate as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit agent multiple-employer pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, *Texas Government Code* (TMRS Act) is an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided:

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

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

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

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

Employee deposit rate	7.0%
Matching ratio (City to employee)	2 – 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

Membership in the Plan by membership class at December 31, 2016, (measurement date), is as follows:

Inactive employees or beneficiaries currently receiving benefits	78
Inactive employees entitled to but not receiving benefits	109
Active employees	<u>164</u>
Total	<u><u>351</u></u>

Contributions

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

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

For the year ended September 30, 2017, contributions by the City and its Component Units were \$1,372,134 and \$28,003, or 14.32%, of the covered payroll of \$9,585,287 and \$195,618, respectively, as required by the actuarial valuation. The component units proportionate share within the plan is 2% of all plan balances.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

Net Pension Liability

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% rate and employer contributions will be made at the rates specified by statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended September 30, 2017, were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of September 30, 2016	\$ 30,929,527	\$ 22,437,798	\$ 8,491,729
Changes for the year:			
Service cost	1,588,187	-	1,588,187
Interest on total pension liability	2,114,326	-	2,114,326
Effect of plan changes	-	-	-
Effect of difference in expected and actual experience	(322,634)	-	(322,634)
Changes of assumptions	-	-	-
Benefit payments	(800,546)	(800,546)	-
Administrative expenses	-	(17,126)	17,126
Member contributions	-	667,305	(667,305)
Net investment income	-	1,518,848	(1,518,848)
Employer contributions	-	1,344,107	(1,344,107)
Other	-	(923)	923
Net changes	<u>2,579,333</u>	<u>2,711,665</u>	<u>(132,332)</u>
Balances as of September 30, 2017	<u>\$ 33,508,860</u>	<u>\$ 25,149,463</u>	<u>\$ 8,359,397</u>
City	<u>\$ 32,838,683</u>	<u>\$ 24,646,474</u>	<u>\$ 8,192,209</u>
Component Units	<u>\$ 670,177</u>	<u>\$ 502,989</u>	<u>\$ 167,188</u>

Sensitivity to Interest Rate Changes: The following presents the net pension liability of the City calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability	<u>\$ 14,252,533</u>	<u>\$ 8,359,398</u>	<u>\$ 3,649,434</u>
City's net pension liability	\$ 13,967,482	\$ 8,192,209	\$ 3,576,445
Component Unit's net pension liability	285,051	167,188	72,989

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.TMRS.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended September 30, 2017, the City and its Component Units recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$1,867,301 and \$38,149, respectively, and at September 30, 2017, reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 241,073	\$ (251,468)
Change of assumptions	-	(683)
Difference between projected and actual earnings on pension plan investments	938,846	-
Contributions subsequent to the measurement date	<u>989,202</u>	<u>-</u>
	<u>\$ 2,169,122</u>	<u>\$ (252,151)</u>
Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 4,920	\$ (5,132)
Change of assumptions	-	(14)
Difference between projected and actual earnings on pension plan investments	19,160	-
Contributions subsequent to the measurement date	<u>20,188</u>	<u>-</u>
	<u>\$ 44,267</u>	<u>\$ (5,146)</u>

At September 30, 2017, the City and its Component Units reported \$989,203 and \$20,188 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year-end. These amounts will be recognized as a reduction in the net pension liability at September 30, 2017.

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

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

Primary Government

Year Ending September 30

2018	\$	361,369
2019		363,437
2020		238,311
2021		<u>(35,349)</u>
	\$	<u><u>927,768</u></u>

Component Units

Year Ending September 30

2018	\$	7,375
2019		7,417
2020		4,863
2021		<u>(721)</u>
	\$	<u><u>18,934</u></u>

Note 9: Disclosures About Fair Values of Assets

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

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

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

Investment in State Investment Pools

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

Recurring Measurements

As of the September 30, 2017, the City had investments measured by the aforementioned methods in TexPool and LOGIC of \$4,355,537 and \$1,209,518, respectively, and Component Units had investments in TexPool of \$228,662.

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

Note 10: Commitments and Contingencies

Risk Management

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

City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2017

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, 2017, may be impaired.

Litigation

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

Note 11: Tax Abatement

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

For the fiscal year ended September 30, 2017, the City abated property taxes totaling \$12,848 under Chapter 312 of the Texas Local Government Code. The \$12,848 consists of the following tax abatement agreements:

- A 100 percent of property tax abatement to a restaurant for locating/constructing a facility within the City. The abatement amounted to \$8,467.
- A 100 percent of personal property tax abatement to a restaurant for locating/constructing a facility within the City. The abatement amounted to \$2,578.
- A 25 percent of personal property tax abatement to a manufacturer for business retention and job creation within the City. The abatement amounted to \$1,803.

Required Supplementary Information

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability			
Service cost	\$ 1,111,639	\$ 1,588,374	\$ 1,588,187
Interest (on the total pension liability)	1,805,251	1,968,932	2,114,326
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(17,723)	464,652	(322,634)
Changes of assumptions	-	(1,315)	-
Benefit payments, including refunds of employee contributions	(749,402)	(849,057)	(800,546)
Net change in total pension liability	2,149,765	3,171,586	2,579,333
Total pension liability – Beginning	<u>25,608,176</u>	<u>27,757,941</u>	<u>30,929,527</u>
Total pension liability – Ending (a)	<u>\$ 27,757,941</u>	<u>\$ 30,929,527</u>	<u>\$ 33,508,860</u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 1,420,005	\$ 1,532,886	\$ 1,344,107
Contributions – employee	646,296	681,706	667,305
Net investment income	1,069,250	31,089	1,518,848
Benefit payments, including refunds of employee contributions	(749,402)	(849,057)	(800,546)
Administrative expense	(11,161)	(18,929)	(17,126)
Other	(918)	(935)	(923)
Net change in plan fiduciary net position	2,374,070	1,376,760	2,711,665
Plan fiduciary net position – Beginning	<u>18,686,968</u>	<u>21,061,038</u>	<u>22,437,798</u>
Plan fiduciary net position – Ending (b)	<u>\$ 21,061,038</u>	<u>\$ 22,437,798</u>	<u>\$ 25,149,463</u>
City's net pension liability – Ending (a) – (b)	<u>\$ 6,696,903</u>	<u>\$ 8,491,729</u>	<u>\$ 8,359,397</u>
Plan fiduciary net position as a percentage of the total pension liability	75.87%	72.54%	75.05%
Covered payroll	\$ 9,232,798	\$ 9,738,654	\$ 9,532,935
City's net pension liability as a percentage of covered payroll	72.53%	87.20%	87.69%

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

City of Balch Springs, Texas
Schedule of Contributions
Last Two Fiscal Years
(Unaudited)

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

Note to Schedule:

Valuation Date: Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

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

City of Balch Springs, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year Ended September 30, 2017

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and fees	\$ 10,776,000	\$ 10,776,000	\$ 11,241,998	\$ 465,998
Licenses and permits	503,000	503,000	523,000	20,000
Intergovernmental	100,000	100,000	104,460	4,460
Charges for services	145,700	145,700	182,211	36,511
Fines and forfeits	1,100,000	1,100,000	910,959	(189,041)
Interest	5,000	5,000	9,345	4,345
Miscellaneous	118,300	118,300	46,538	(71,762)
	<u>12,748,000</u>	<u>12,748,000</u>	<u>13,018,511</u>	<u>270,511</u>
Expenditures				
Current				
General government	994,959	980,404	1,160,934	(180,530)
Public safety	9,701,297	9,500,176	9,192,211	307,965
Public works	2,196,263	2,121,038	1,983,414	137,624
Community development and recreation	1,601,255	1,530,906	1,489,616	41,290
Capital outlay	263,000	320,476	1,093,339	(772,863)
Interest and fiscal charges	-	-	46,026	(46,026)
	<u>14,756,774</u>	<u>14,453,000</u>	<u>14,965,540</u>	<u>(512,540)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,008,774)</u>	<u>(1,705,000)</u>	<u>(1,947,029)</u>	<u>(242,029)</u>
Other financing sources				
Operating transfers in	1,703,000	1,703,000	917,406	(785,594)
Other sources	2,000	2,000	1,256,788	1,254,788
	<u>1,705,000</u>	<u>1,705,000</u>	<u>2,174,194</u>	<u>469,194</u>
Net Change in Fund Balances	(303,774)	-	227,165	227,165
Fund Balance, Beginning of Year	<u>1,570,374</u>	<u>1,570,374</u>	<u>1,570,374</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,266,600</u>	<u>\$ 1,570,374</u>	<u>\$ 1,797,539</u>	<u>\$ 227,165</u>

City of Balch Springs, Texas
Notes to Required Supplementary Information
September 30, 2017

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.

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

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City of Balch Springs, Texas
Nonmajor Governmental Funds
September 30, 2017

Special Revenue Funds

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

Section 8 Housing Assistance Program

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

State Chapter 59 Law Enforcement

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

Department of Justice Grants

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

Department of Justice Forfeitures

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

US Treasury Forfeitures

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

Red Light Camera

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

Library Donation

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

Municipal Court Technology

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

Municipal Court Building Security

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

City of Balch Springs, Texas
Nonmajor Governmental Funds (Continued)
September 30, 2017

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.

Debt Service Fund

Debt Service

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

Capital Projects Fund

Street Maintenance Fund

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

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City of Balch Springs, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	Special Revenue					
	Section 8 Housing Assistance Program	State Chapter 59 Law Enforcement	Department of Justice Grants	Department of Justice Forfeitures	US Treasury Forfeitures	Red Light Camera
Assets						
Cash and cash equivalents	\$ 8,979	\$ 62,037	\$ 155	\$ 32,569	\$ 34,782	\$ 327,373
Receivables (net of allowance for uncollectibles)						
Taxes	-	-	-	-	-	-
Other	2	-	-	-	-	31,597
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 8,981</u>	<u>\$ 62,037</u>	<u>\$ 155</u>	<u>\$ 32,569</u>	<u>\$ 34,782</u>	<u>\$ 358,970</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts and contracts payable	\$ 756	\$ -	\$ -	\$ -	\$ -	\$ 68,645
Accrued liabilities	1,617	27,887	-	-	-	250,196
Total liabilities	<u>2,373</u>	<u>27,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,841</u>
Deferred inflows of resources	-	-	-	-	-	-
Fund Balance						
Nonspendable for prepaid items	-	-	-	-	-	-
Restricted fund balances						
Debt service	-	-	-	-	-	-
Housing program	6,608	-	-	-	-	-
Street maintenance	-	-	-	-	-	-
Public safety	-	34,150	155	32,569	34,782	40,129
Economic development	-	-	-	-	-	-
Total fund balances	<u>6,608</u>	<u>34,150</u>	<u>155</u>	<u>32,569</u>	<u>34,782</u>	<u>40,129</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,981</u>	<u>\$ 62,037</u>	<u>\$ 155</u>	<u>\$ 32,569</u>	<u>\$ 34,782</u>	<u>\$ 358,970</u>

Special Revenue				Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Municipal Court Technology	Municipal Court Building Security	Hotel Occupancy Tax	Emergency Vehicle	Debt Service	Street Maintenance	
\$ 64,150	\$ 34,455	\$ 211,752	\$ 99,844	\$ 221,827	\$ 799,860	\$ 1,897,783
-	-	-	-	70,014	157,184	227,198
-	-	8,143	-	-	-	39,742
-	-	-	-	500	-	500
<u>\$ 64,150</u>	<u>\$ 34,455</u>	<u>\$ 219,895</u>	<u>\$ 99,844</u>	<u>\$ 292,341</u>	<u>\$ 957,044</u>	<u>\$ 2,165,223</u>
\$ -	\$ -	\$ 1,724	\$ 30,702	\$ -	\$ 12,107	\$ 113,934
-	-	879	-	-	-	280,579
-	-	2,603	30,702	-	12,107	394,513
-	-	-	-	67,543	-	67,543
-	-	-	-	500	-	500
-	-	-	-	224,298	-	224,298
-	-	-	-	-	-	6,608
-	-	-	-	-	944,937	944,937
64,150	34,455	-	69,142	-	-	309,532
-	-	217,292	-	-	-	217,292
<u>64,150</u>	<u>34,455</u>	<u>217,292</u>	<u>69,142</u>	<u>224,798</u>	<u>944,937</u>	<u>1,703,167</u>
<u>\$ 64,150</u>	<u>\$ 34,455</u>	<u>\$ 219,895</u>	<u>\$ 99,844</u>	<u>\$ 292,341</u>	<u>\$ 957,044</u>	<u>\$ 2,165,223</u>

City of Balch Springs, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2017

	Special Revenue					
	Section 8 Housing Assistance Program	State Chapter 59 Law Enforcement	Department of Justice Grants	Department of Justice Forfeitures	US Treasury Forfeitures	
Revenues						
Taxes and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for service	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	23,021	624,274
Intergovernmental	589,027	-	10,577	-	-	-
Miscellaneous	-	23,814	-	-	-	33,750
Interest	93	-	7	51	19	-
Total revenues	<u>589,120</u>	<u>23,814</u>	<u>10,584</u>	<u>51</u>	<u>23,040</u>	<u>658,024</u>
Expenditures						
Current						
Public safety	-	24,135	10,618	3,071	-	519,725
Public works	591,851	-	-	-	-	-
Community development and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	3,525	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>591,851</u>	<u>24,135</u>	<u>10,618</u>	<u>6,596</u>	<u>-</u>	<u>519,725</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(2,731)</u>	<u>(321)</u>	<u>(34)</u>	<u>(6,545)</u>	<u>23,040</u>	<u>138,299</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(100,000)
Transfers to other governments	-	-	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net Change in Fund Balances	<u>(2,731)</u>	<u>(321)</u>	<u>(34)</u>	<u>(6,545)</u>	<u>23,040</u>	<u>38,299</u>
Fund Balances, Beginning of Year	<u>9,339</u>	<u>34,471</u>	<u>189</u>	<u>39,114</u>	<u>11,742</u>	<u>1,830</u>
Fund Balances, End of Year	<u>\$ 6,608</u>	<u>\$ 34,150</u>	<u>\$ 155</u>	<u>\$ 32,569</u>	<u>\$ 34,782</u>	<u>\$ 40,129</u>

<u>Special Revenue</u>				<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Municipal Court Technology</u>	<u>Court Building Security</u>	<u>Hotel Occupancy Tax</u>	<u>Emergency Vehicle</u>	<u>Debt Service</u>	<u>Street Maintenance</u>	
\$ -	\$ -	\$ 90,386	\$ -	\$ 635,524	\$ 914,473	\$ 1,640,383
-	13,580	-	-	-	-	13,580
-	-	-	-	-	-	647,295
-	-	-	-	-	-	599,604
18,106	-	-	87,546	-	-	163,216
-	-	-	-	-	-	170
<u>18,106</u>	<u>13,580</u>	<u>90,386</u>	<u>87,546</u>	<u>635,524</u>	<u>914,473</u>	<u>3,064,248</u>
26,429	7,055	-	-	-	-	591,033
-	-	-	-	-	14,998	606,849
-	-	24,341	-	-	-	24,341
-	-	-	100,597	-	1,543,619	1,647,741
-	-	-	-	450,000	-	450,000
-	-	-	-	172,961	-	172,961
<u>26,429</u>	<u>7,055</u>	<u>24,341</u>	<u>100,597</u>	<u>622,961</u>	<u>1,558,617</u>	<u>3,492,925</u>
<u>(8,323)</u>	<u>6,525</u>	<u>66,045</u>	<u>(13,051)</u>	<u>12,563</u>	<u>(644,144)</u>	<u>(428,677)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	(100,000)
-	-	-	-	-	-	-
-	-	-	-	-	-	(100,000)
<u>(8,323)</u>	<u>6,525</u>	<u>66,045</u>	<u>(13,051)</u>	<u>12,563</u>	<u>(644,144)</u>	<u>(528,677)</u>
<u>72,473</u>	<u>27,930</u>	<u>151,247</u>	<u>82,193</u>	<u>212,235</u>	<u>1,589,081</u>	<u>2,231,844</u>
<u>\$ 64,150</u>	<u>\$ 34,455</u>	<u>\$ 217,292</u>	<u>\$ 69,142</u>	<u>\$ 224,798</u>	<u>\$ 944,937</u>	<u>\$ 1,703,167</u>

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City of Balch Springs, Texas
Discretely Presented Component Units
September 30, 2017

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

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

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City of Balch Springs, Texas
Balance Sheet
Industrial and Economic Development Corporation
September 30, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 2,535,170
Sales tax receivable	<u>157,219</u>

Total assets	<u><u>\$ 2,692,389</u></u>
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Liabilities and Fund Balance

Current Liabilities

Accounts payable	\$ 137,326
Accrued liabilities	<u>4,684</u>

Total liabilities	<u>142,010</u>
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Fund Balance

Unassigned	<u>2,550,379</u>
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Total liabilities and fund balances	<u><u>\$ 2,692,389</u></u>
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City of Balch Springs, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Industrial and Economic Development Corporation
September 30, 2017

Total fund balance – governmental fund	\$	2,550,379
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		2,088,051
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Employer contributions	\$	10,094
Investment return losses (GASB 68)		9,580
Expense losses (GASB 68)		2,460
Experience gains (GASB 68)		(2,566)
Change of assumptions gains (GASB 68)		(7)
		19,561
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(5,313)
Long-term liabilities, including bonds and other payables are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
Revenue bonds	\$	(2,880,000)
Net pension liability		(83,594)
Compensated absences		(28,707)
		(2,992,301)
Net position of governmental activities	\$	1,660,377

City of Balch Springs, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Industrial and Economic Development Corporation
Year Ended September 30, 2017

Revenues	
Sales tax	\$ 914,473
Interest income	5,125
Miscellaneous	<u>95,541</u>
Total revenues	<u>1,015,139</u>
Expenditures	
Current	
Administrative	150,000
Economic development	330,443
Debt service	
Principal retirement	120,000
Interest and fiscal charges	<u>133,859</u>
Total expenditures	<u>734,302</u>
Other Financing Sources (Uses)	
Proceeds from sale of land	151,066
Transfers to other governments	<u>(887,665)</u>
Total other financing sources	<u>(736,599)</u>
Net Change In Fund Balance	(455,762)
Fund Balance, Beginning of Year	<u>3,006,141</u>
Fund Balance, End of Year	<u><u>\$ 2,550,379</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, 2017

Net change in fund balances – Economic Development Corporation	\$ (455,762)
Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report the sale of capital asset as other financial sources, though on the statement of net position is recognized as a reduction of capital assets.	(151,066)
Current year changes in accrued compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(10,566)
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.	238
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.	120,000
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.	(5,217)
Certain 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 construction projects expensed during the fiscal year.	<u>(100,674)</u>
Change in net position of governmental activities	<u><u>\$ (603,047)</u></u>

City of Balch Springs, Texas
Balance Sheet
Community and Economic Development Corporation
September 30, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 1,041,399
Receivables	
Sales tax	157,219
Note	300,000
Interest	<u>14,961</u>

Total assets	<u><u>\$ 1,513,579</u></u>
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**Liabilities, Deferred Inflows
of Resources and Fund Balances**

Current Liabilities

Accounts payable	\$ 45,736
Accrued liabilities	<u>4,684</u>

Total liabilities	50,420
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Deferred Inflows of Resources	<u>314,961</u>
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Fund Balance

Unassigned	<u>1,148,198</u>
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Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,513,579</u></u>
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City of Balch Springs, Texas
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
Community and Economic Development Corporation
September 30, 2017

Total fund balance – governmental fund \$ 1,148,198

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

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

Note receivable	\$	300,000	
Interest receivable		14,961	
Employer contributions (GASB 68)		10,094	
Investment return difference (GASB 68)		9,580	
Experience difference, net (GASB 68)		(106)	
Change of assumptions (GASB 68)		(7)	
			334,522

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. (164)

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

Revenue bonds	\$	(170,000)	
Net pension liability		(83,594)	
Compensated absences		(28,707)	
			(282,301)

Net position of governmental activities \$ 1,200,255

City of Balch Springs, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Community and Economic Development Corporation
Year Ended September 30, 2017

Revenues	
Sales tax	\$ 914,473
Interest income	1,663
Miscellaneous	<u>20,174</u>
Total revenues	<u>936,310</u>
Expenditures	
Current	
Administration	150,000
Economic development	402,721
Debt Service	
Principal payments	165,000
Interest and fiscal charges	<u>9,039</u>
Total expenditures	<u>726,760</u>
Other Financing Sources	
Transfers to other governments	<u>(8,500)</u>
Total other financing sources (uses)	<u>(8,500)</u>
Net Change In Fund Balance	201,050
Fund Balance, Beginning of Year	<u>947,148</u>
Fund Balance, End of Year	<u><u>\$ 1,148,198</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, 2017

Net change in fund balances – Economic Development Corporation	\$ 201,050
Amounts reported for governmental activities in the statement of activities are different because	
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of principal payments of \$160,000.	165,000
Revenues reported in the Statement of Activities, but do not appear in the governmental funds because they do not provide current financial resources. This is the amount of decrease in accrued interest from notes receivable.	(5,143)
Current year changes in accrued compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(10,566)
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.	213
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources.	(5,217)
Change in net position of governmental activities	\$ 345,337

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