



CITY OF DESOTO

SOARING FOR EXCELLENCE

TEXAS

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



For Year Ended
September 30, 2013

**CITY OF
DESOTO
TEXAS**



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2013**

CITY OF DESOTO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Prepared by the
CITY OF DESOTO
FINANCE DEPARTMENT

Edena J. Atmore, CPA
Managing Director

CITY COUNCIL
Carl O. Sherman, Mayor

Patricia Ledbetter, Mayor Pro-Tem

James Zander, Council Member

Dick North, Council Member

Rachel Proctor, Council Member

Kristine Clark, Council Member

Curtistene McCowan, Council Member

CITY MANAGER
Tarron Richardson, Ph.D.

CITY OF DESOTO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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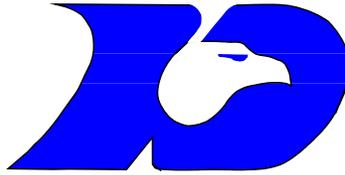
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INTRODUCTORY SECTION

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City of DeSoto

March 28, 2014

To the Citizens of the
City of DeSoto, Texas

State law requires that every municipality publish within six (6) months of the close of each fiscal year a complete set of audited financial statements, to include the auditor's opinion on the statements. This report is published to fulfill that requirement for the fiscal year that ended Thursday, September 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pattillo, Brown & Hill, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of DeSoto's financial statements for the year that ended Thursday, September 30, 2013. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with the aforesaid document.

Profile

Located in the Best Southwest portion of Dallas County, the City of DeSoto is situated just minutes from downtown Dallas. Bordering I-35 on its eastern border and Highway 67 on its northern boundary, the City covers approximately 21.6 square miles. The City serves an estimated 2013 population of 51,102. The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, and is a home-rule city operating under a Council/Manager form of government. The Council is comprised of the Mayor and six Council members, who enact local legislation, adopt budgets, determine policies, and appoint the City secretary, City attorney and Judge of the municipal court. The City Manager, appointed by City Council, is the chief administrative officer for the City and is responsible for the daily management of the City. Major services provided under general government and enterprise functions are: public safety (police and fire protection), emergency ambulance services, construction and maintenance of streets, water and sewer services, parks and recreation, library services and general administrative services.

Accounting System and Budgetary Control

One of the objectives of the City's financial accounting system is to provide adequate internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise activities are maintained on the accrual basis.

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities.

Budgetary Controls – The budgetary process begins each year with the preparation of both current and proposed revenue estimates by the City's administrative and financial management staff and expenditure estimates provided by each City department. Budgets are reviewed by the administrative and financial management staff which consists of the City Manager's Office and Financial Services Department Managers. The City Manager makes final decisions and submits a recommended budget to the City Council. The proposed budget is reviewed by the City Council, a process which includes a Charter-mandated public hearing, in addition to work sessions which are open to the public. The City Charter requires adoption of the City budget at least ten days prior to the beginning of the fiscal year.

The objective of the budgetary controls maintained by the City is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, water and sewer fund, and all other funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by departments within the individual fund. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Monthly departmental expenditure reports are generated by an automated accounting system and provide expenditure totals and encumbrances at the line-item level for the most recently completed month as well as the year-to-date total, and an actual versus budgeted rate of expenditure. Major expenditure requests are approved by the City Manager prior to the encumbrance of funds.

Relevant Financial Policies

The City has established a policy to have a balanced budget and to maintain a reserve account. In fiscal year 2013, the General Fund accomplished this by having a fund balance of \$10,636,321, which exceeds reserve requirements of 60 days.

The City also has a long range planning policy to identify major issues when developing its fiscal year budget. A two year budget analysis of all City funds is developed to provide an understanding of the long term impact of budget decisions. The fiscal year 2014 budget was prepared along with a planning budget for fiscal year 2015.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's investment strategies include using cash flow analysis to purchase securities. This practice lessens the impact which rising interest rates have on the valuation changes of the portfolio. Investments in the deferred compensation plans are held by the third party plan administrators. The investment policy is annually updated and approved by the Council in compliance with the Texas Public Funds Investment Act.

Local Economy

Major industries located in the City of DeSoto include manufacturers of solar turbines, a publishing company, a transportation company, a healthcare provider, as well as a distributor of retail items and several retail grocery chains. These industries employ over 2,600 employees.

The City's unemployment rate for fiscal year ending 2013 is an average of 7.3%, which is slightly above the unemployment rate for Dallas County of 6.6%. The City of DeSoto benefits from its proximity to the Dallas-Fort Worth metroplex and major transportation corridors with its location twelve (12) miles south of Dallas. The close proximity to job opportunities in Dallas, Fort Worth and the Mid-Cities continues to contribute to growth in the City. Its estimated population of over 51,000 has grown a notable 35% since 2000, with an increase of 40% in the number of households during the same time. There is room for further development within the City's 21.6 square miles, since the City is only 60-65% built out.

In fiscal year 2013, the City experienced an increase in taxable assessed valuation by 3.5% since fiscal year 2012. Like most cities in the Dallas-Fort Worth area, the City experienced a modest rise in residential values. The City also experienced an increase in building permits and sales tax for fiscal year 2013.

Long-term Financial Planning

The City has historically maintained solid general fund balances. Fiscal year 2013 General Fund, fund balance for the General Fund was approximately \$10.6 million or roughly 37% of spending. The City continues to respond proactively to the downturn in the economy by implementing budget cuts sufficient to offset the revenue loss and does not expect to utilize reserves for recurring operating expenditures. The City is also utilizing extensive planning and maintaining tight budgetary measures to balance its operations. The sales tax receipts are expected to continue increasing slightly as the City continues to provide incentives for retail and business operations that come to the City.

Because of the City's proximity to Interstate 35 East and Interstate 20, businesses are recognizing DeSoto as one of the region's hot spots for growth. The City is committed to supporting new and expanding companies by creatively customizing incentive packages based on individual business needs.

The City also has more than 400 acres of land that are available for industrial and commercial development within the DeSoto Eagle Industrial and Business Park. The Hillwood Crossroads Trade Center in the Industrial Park offers 1.8 million square feet of build-to-suit distribution or light industrial space for lease at Centre Park Blvd and Interstate 35 East.

Major Initiatives

The 2012-2013 fiscal year included initiatives such as:

- Maintain the current level of services provided by the Police & Fire Department, as well as the Division of Code Enforcement;
- Finalize and implement the business plan and design for a Heliport facility in the Eagle Industrial Park;
- Increase the value of commercial assets through new development and redevelopment; and
- Develop a regional economic development vehicle to attract major employers to the Best Southwest region.
- Review and update the Master Comprehensive Plan

Awards and Acknowledgements

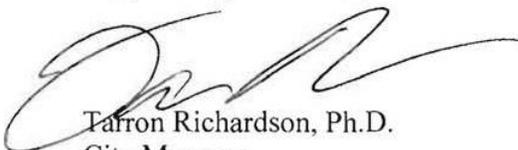
Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial reporting for the fiscal year that ended Friday, September 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement for Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose content conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of DeSoto has received a Certificate of Achievement for the last 24 consecutive fiscal years ended September 30. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the City's staff. Appreciation is to Tishia Jordan, Tracy Cormier and City staff that assisted as well as contributed to its preparation. The Mayor and the City Council are also commended for their willingness to participate in the strategic planning process for financial operations.

Respectfully submitted,



Tarron Richardson, Ph.D.
City Manager



Edena J. Atmore, CPA, CGMA, CPFO, CGFO
Managing Director of Financial Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

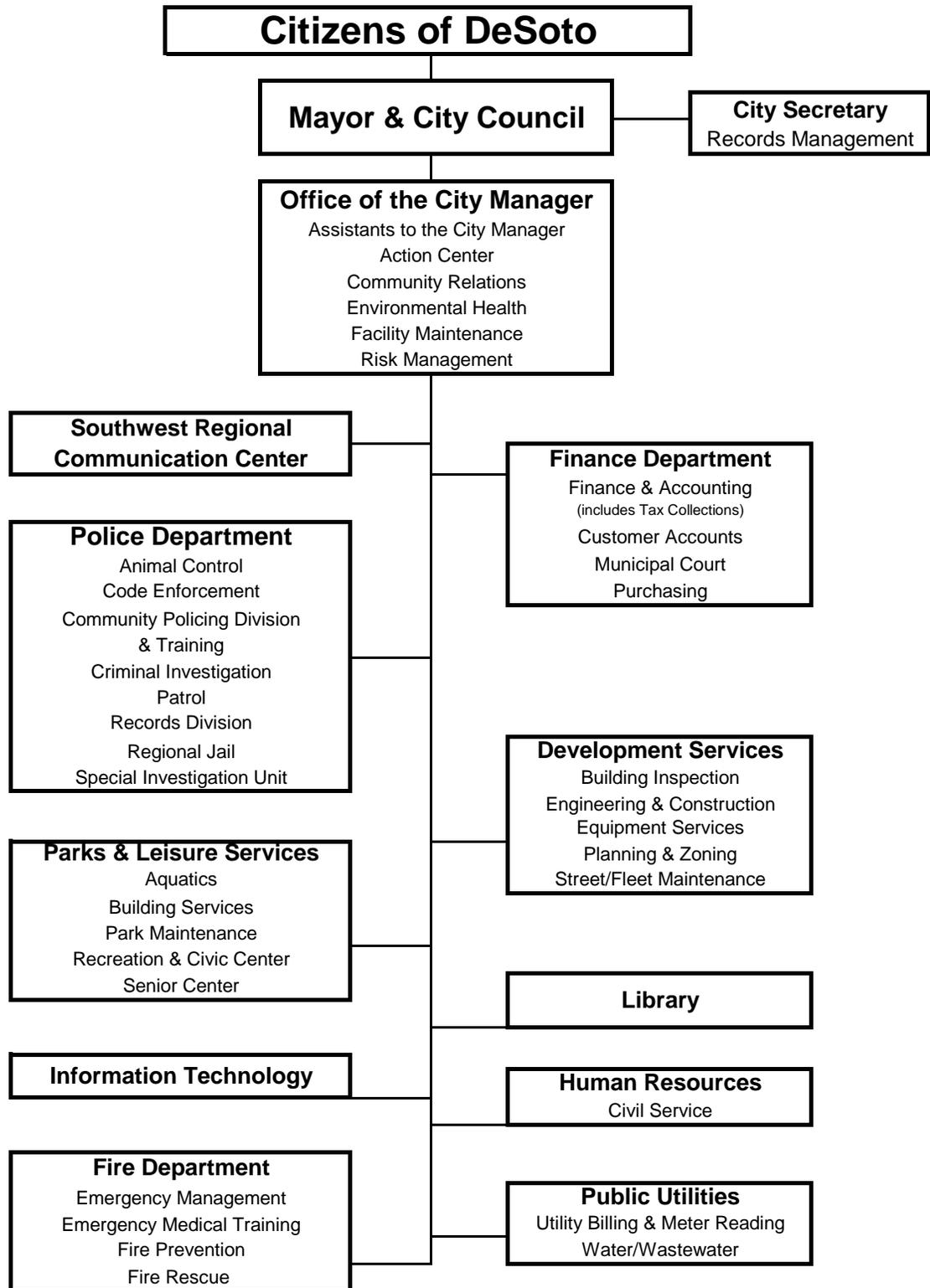
Presented to

**City of DeSoto
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



City Officials

City Council

Carl O. Sherman Mayor Place One	
Patricia Ledbetter Mayor Pro Tem Place Two	Kristine Clark Place Three
Rachel Proctor Place Four	Dick North Place Five
Curtistene McCowen Place Six	James Zander Place Seven
Joe Gorfida City Attorney	

City Employees

Tarron J. Richardson, PhD. City Manager	
Tracie Hlavinka Assistant to the City Manager	Lora Stallings Assistant to the City Manager
Edena J. Atmore, CPA Managing Director Financial Services	Isom Cameron Managing Director Public Utilities
Joseph W. Costa Police Chief	Lucile Dade Managing Director Library Services
Jerry Duffield Fire Chief	Kathleen Shields Managing Director Human Resources
Renee Johnson Managing Director Parks & Leisure Services	Tom Johnson Managing Director Development Services
Kathy Jones Community Relations Manager	Kisha Morris City Secretary
Karima Dash Managing Director S.W.R.C.C.	

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
City of DeSoto, 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 the City of DeSoto, Texas (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and the schedule of funding progress on pages 4 through 14 and pages 57 through 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2014

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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CITY OF DESOTO, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

As management of the City of DeSoto (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report, and the financial statements which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the 2013 fiscal year by \$166,210,345 (net position). Of this amount, \$22,253,730 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2013, the City's governmental funds reported combined ending fund balances of \$20,557,832, a decrease of \$1,025,694 from the prior year. Approximately 52% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,590,898 or 37% of total General Fund expenditures.
- The City's total capital assets net of accumulated depreciation decreased by \$4,078,021. The decrease is primarily due to current year depreciation. Capital project activity decreased for 2013; therefore, capital additions did not exceed current year depreciation. Some projects were postponed for future years.
- The City's governmental and business-type activities long-term liabilities decreased \$2,314,177 due to a refunding of outstanding bonds with a principal balance of \$11,875,000. The general obligation bonds were issued to fund a refunding of the series 2005 certificate of obligations and Series 2005 general obligation bonds which had an interest rate ranging from 4.0%-5.0%. The City refunded the bonds to reduce its total debt service payments over twelve (12) years by \$1,656,842 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,467,362.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two 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 presents information in order to present how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in changes in cash flows for future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, development services, parks and leisure services, library services, human resources, financial services, and information technology. The business-type activities of the City include public utilities, drainage systems, and sanitation operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also include the DeSoto Health Facilities Development Corporation, the DeSoto Housing Finance Corporation and the DeSoto Industrial Development Authority, Inc., which are legally separate but financially accountable to the City. A blended presentation has been used to report the financial information of these component units. That means that the component unit balances and transactions are reported in a manner similar to the balances and transactions of the primary government. Additionally, the government-wide financial statements include the DeSoto Economic Development Corporation and the DeSoto Park Development Corporation as part of its reporting entity as discretely presented component units. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The DeSoto Economic Development Corporation and the DeSoto Park Development Corporation are legally separate entities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The fund financial statements for governmental funds, proprietary funds and fiduciary funds can be found in the financial section of this report.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 14 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, Debt Service Fund, and Street Improvement Fund, which are considered to be major funds. Data from the other 11 governmental funds are combined into a single aggregate presentation.

The City adopts an annual appropriated budget for its general fund. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public utility, drainage and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for public utility, drainage and sanitation, all of which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds. The Agency Fund is one of the City's fiduciary funds and it accounts for the funds held in an agency capacity for the Southwest Regional Communication Center. See Note 1 for additional information pertaining to fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 29 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation. Required supplementary information immediately follows the notes to the financial statements. Combining statements and budgetary comparison schedules for non-major governmental funds and component unit fund financial statements follow the section on required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2013, the City's assets exceeded liabilities by \$166,210,345.

The largest portion of the City’s net position (85%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$22,253,730, may be used to meet the City’s ongoing obligations to citizens and creditors.

As of September 30, 2013, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF DESOTO’S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 27,900,354	\$ 29,454,056	\$ 26,744,949	\$ 23,927,693	\$ 54,645,303	\$ 53,381,749
Capital assets	<u>145,690,995</u>	<u>150,034,099</u>	<u>64,426,236</u>	<u>64,161,153</u>	<u>210,117,231</u>	<u>214,195,252</u>
Total assets	<u>173,591,349</u>	<u>179,488,155</u>	<u>91,171,185</u>	<u>88,088,846</u>	<u>264,762,534</u>	<u>267,577,001</u>
Deferred outflows of resources	<u>993,468</u>	<u>906,950</u>	<u>94,004</u>	<u>89,745</u>	<u>1,087,472</u>	<u>996,695</u>
Long-term liabilities outstanding	73,734,044	79,602,061	19,487,242	16,560,512	93,221,286	96,162,573
Other liabilities	<u>3,172,712</u>	<u>2,276,611</u>	<u>2,904,508</u>	<u>2,976,095</u>	<u>6,077,220</u>	<u>5,252,706</u>
Total liabilities	<u>76,906,756</u>	<u>81,878,672</u>	<u>22,391,750</u>	<u>19,536,607</u>	<u>99,298,506</u>	<u>101,415,279</u>
Deferred inflows of resources	<u>341,155</u>	<u>369,585</u>	<u>-</u>	<u>-</u>	<u>341,155</u>	<u>369,585</u>
Net position:						
Net investment in capital assets	85,681,327	85,553,558	55,777,822	57,708,884	141,459,149	143,262,442
Restricted	2,497,466	2,762,778	-	-	2,497,466	2,762,778
Unrestricted	<u>9,158,113</u>	<u>9,830,512</u>	<u>13,095,617</u>	<u>10,933,100</u>	<u>22,253,730</u>	<u>20,763,612</u>
Total net position	<u>\$ 97,336,906</u>	<u>\$ 98,146,848</u>	<u>\$ 68,873,439</u>	<u>\$ 68,641,984</u>	<u>\$ 166,210,345</u>	<u>\$ 166,788,832</u>

CITY OF DESOTO'S CHANGES IN NET POSITION

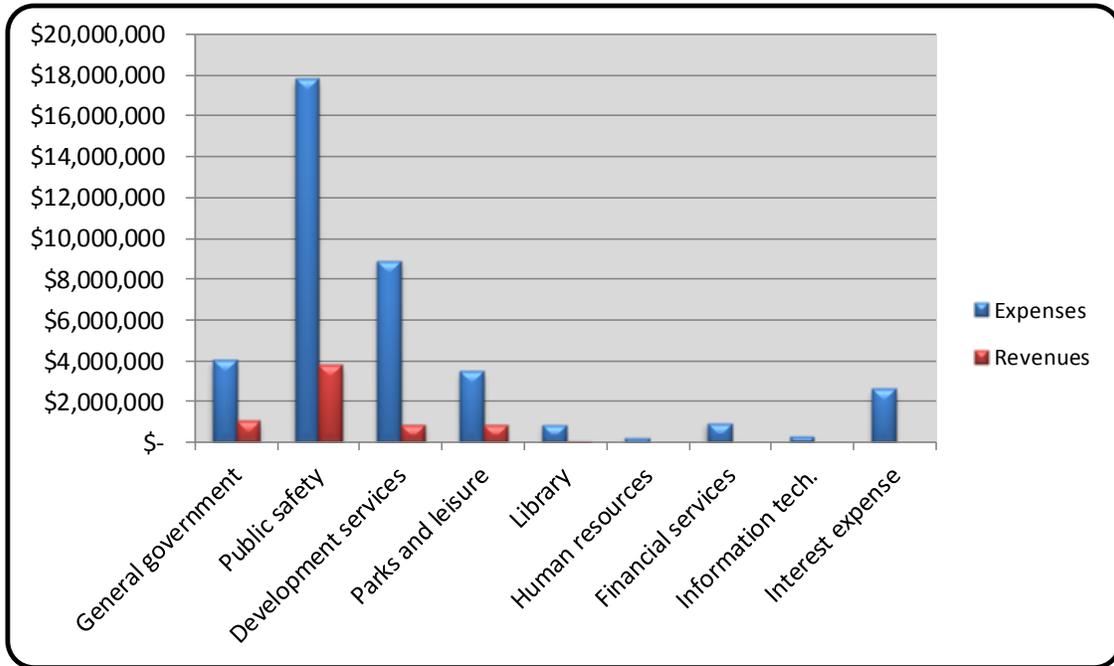
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 5,346,534	\$ 4,929,664	\$ 21,869,525	\$ 21,026,197	\$ 27,216,059	\$ 25,955,861
Operating grants and contributions	1,040,029	1,254,754	-	-	1,040,029	1,254,754
Capital grants and contributions	376,468	2,450,162	137,750	15,000	514,218	2,465,162
General revenues:						
Property taxes	21,165,572	20,673,781	-	-	21,165,572	20,673,781
Other local taxes	9,692,747	9,498,834	-	-	9,692,747	9,498,834
Interest income	74,177	70,204	68,425	45,782	142,602	115,986
Miscellaneous	207,602	254,756	-	-	207,602	254,756
Total revenues	37,903,129	39,132,155	22,075,700	21,086,979	59,978,829	60,219,134
Expenses:						
General government	4,054,193	4,562,337	-	-	4,054,193	4,562,337
Public safety	17,789,694	17,491,146	-	-	17,789,694	17,491,146
Development services	8,878,903	7,312,154	-	-	8,878,903	7,312,154
Parks and leisure services	3,487,589	3,844,791	-	-	3,487,589	3,844,791
Library	892,249	890,239	-	-	892,249	890,239
Human resources	246,211	197,978	-	-	246,211	197,978
Financial services	948,756	926,892	-	-	948,756	926,892
Information technology	306,289	280,360	-	-	306,289	280,360
Interest on long-term debt	2,634,793	3,391,573	-	-	2,634,793	3,391,573
Water and sewer	-	-	14,061,689	14,097,518	14,061,689	14,097,518
Storm drainage	-	-	1,970,730	1,427,820	1,970,730	1,427,820
Sanitation	-	-	3,695,159	3,246,026	3,695,159	3,246,026
Total expenses	39,238,677	38,897,470	19,727,578	18,771,364	58,966,255	57,668,834
Increase (decrease) in net position before transfers	(1,335,548)	234,685	2,348,122	2,315,615	1,012,574	2,550,300
Transfers	1,836,131	1,735,102	(1,836,131)	(1,735,102)	-	-
Change in net position	500,583	1,969,787	511,991	580,513	1,012,574	2,550,300
Net position, beginning	98,146,848	96,177,061	68,641,984	68,061,471	166,788,832	164,238,532
Change in accounting principles	(1,310,525)	-	(280,536)	-	(1,591,061)	-
Net position, ending	\$ 97,336,906	\$ 98,146,848	\$ 68,873,439	\$ 68,641,984	\$ 166,210,345	\$ 166,788,832

Governmental activities. Net position increased by \$500,583 in fiscal year 2013. This is compared to an increase of \$1,969,787 in fiscal year 2012. The increase in net position as compared to the prior year is a result of a slight increase in property and sales tax collection, and charges for services. Additionally, the City made an effort to reduce expenses and maintain a normal service level to citizens.

Business-type activities. Net position increased by \$511,991 in the current year compared to a \$580,513 increase in fiscal year 2012. Overall, revenues exceeded total operating expenses/transfers for fiscal year 2013. During the current year there was an increase in charges for services but the offset of the increase in operating expenses related to storm drainage and sanitation. These were the primary drivers for the slight change in net position as compared to prior year.

Analysis of the City’s Operations. The following table provides a summary of the City’s operations for the year ended September 30, 2013. Overall, the City had an increase in net position of \$1,012,574. This is due in part to an increase in governmental charges for services and property and other local tax revenues.

Expense and Program Revenues – Governmental Activities



Financial Analysis and Budgetary Highlights of City Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. In particular, unassigned fund balance may serve as a useful measure of a City’s net resources available for spending at the end of the fiscal year.

At the end of the 2013 fiscal year, the City’s governmental funds reported combined ending fund balances of \$20,557,832, a decrease of \$1,025,694 from the prior year. Approximately 52% of this total amount is available for spending at the City’s discretion. The remainder of fund balance is not available for new spending because it is restricted **1**) to complete street improvements and capital projects (\$5,720,035), **2**) to pay debt service (\$1,655,137), and **3**) for a variety of other purposes.

General Fund. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,590,898, while the total fund balance was \$10,636,261. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 37.3% of the general fund expenditures, while total fund balance represents 37.4% of that same amount.

The final budget for fiscal year 2013 reflected a \$454,532 drawdown of fund balance, while still providing for a sufficient reserve balance. The actual change in fund balance was an increase of \$1,342,146. Contributing factors was the realization of revenues \$1,206,772 over the budgeted amounts and overall expenditures \$1,017,633 under budgeted amounts. Key factors affecting fund balance are as follows:

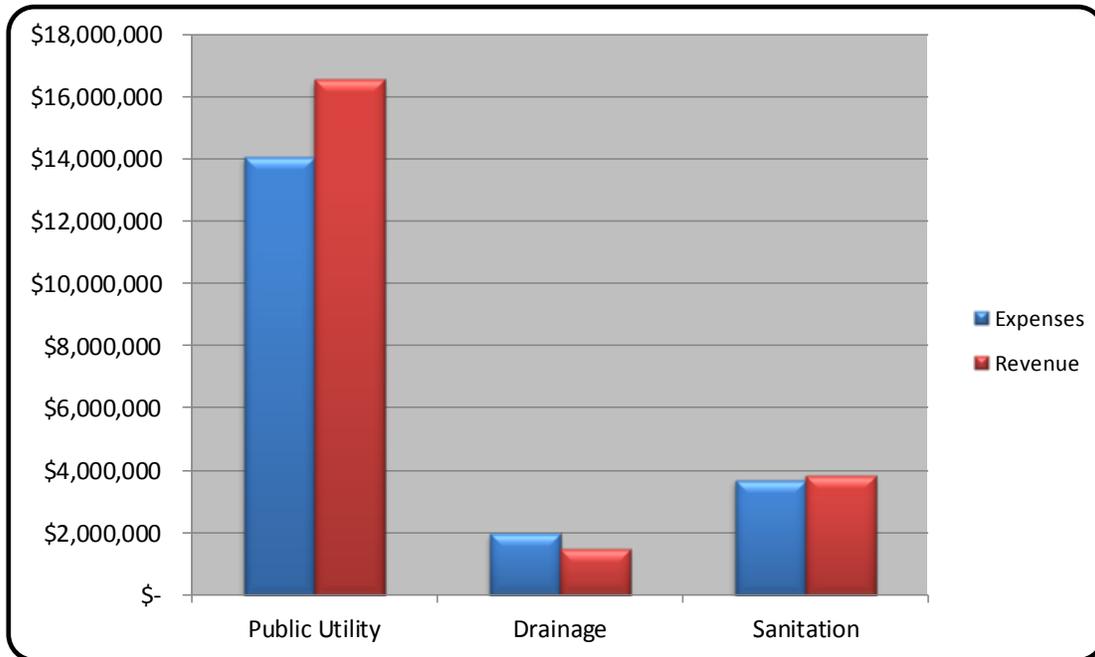
- Total General Fund revenues of \$28,801,858 were increased from FY 2012 by \$428,848.
 - Property tax revenue increased \$461,328 from FY 2012 actuals.
 - Franchise fees increased by \$30,791, while sales tax revenue increases by \$160,920.
 - Intergovernmental revenue decreased by \$548,898.
 - Charges for services increased by \$267,015 while Recreation service fees decreased by \$43,916.
 - Fines and forfeitures increased by \$43,287.
- Total General Fund expenditures of \$28,405,127 were decreased from FY 2012 by \$71,018.
 - General government expenditures decreased by \$265,973 from FY 2012.
 - Total public safety expenditures increased by \$288,035, primarily due to an increase in personnel costs and equipment purchases.
 - Development services expenditures increased by \$18,815, while human resource expenditures increased by \$50,082.
 - Non-departmental expenditures increased by \$37,380 over prior year expenditures.
 - Parks and leisure services expenditures decrease \$170,728 over FY 2012 actual expenditures.
 - Capital outlay expenditures decreased by \$81,688 in FY 2013 while maintaining funding for various purchases and projects including six outfitted police cruisers, an EMS vehicle, and security cameras for the Town Center.

The actual revenues of \$28,801,858 were more than the budgeted revenues by \$1,206,772. Fines and forfeitures, intergovernmental revenue and investment earnings did not meet the budgeted amount. Other areas such as property taxes and franchise fees, sales taxes, license and permits, charges for services, and recreation services exceeded the budgeted amount to offset these amounts. The actual expenditures of \$28,405,127 were \$1,017,633 less than the budgeted expenditures of \$29,422,760.

Debt service fund balance increased by \$51,408 due to the net effect of transfers in, the issuance of long term debt, and the related premium on refunded bonds.

The fund balance of the Street Improvement fund decreased by \$2,560,017 due to the completion of various street improvement projects in 2013 that were identified in the five-year capital improvement plan and that were part of the City's beautification projects.

Expenses and Revenues for Business-type Activities



Proprietary Funds. The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the respective proprietary funds are Public Utility – \$10,529,657, Storm Drainage – \$988,220, and Sanitation – \$1,577,740. The net position for the Public Utility fund increased \$828,231; Storm Drainage decreased \$474,719 and Sanitation increased \$158,479. The overall change in net position for business-type activities increased by \$511,991 which is a decrease of \$68,522 from the FY 2012 change in net position of \$580,513. Public Utility Fund revenues increased with the rate increase for high volume customers along with moderate rainfall and warm temperatures during the summer season. Overall Utility operating revenues of \$21,869,525 reflected an increase of \$843,328 or an increase of 4.0% compared to FY 2012. Utility operating expenses of \$19,077,425 reflected an increase of \$962,395 or an increase of 5.3% over FY 2012. Significant increases in expenses were related to an increase in wastewater treatment expenses, repair and maintenance and refuse collection expenses during FY 2013. Overall business-type depreciation expense decreased by \$162,292 of prior year.

Capital Assets

At the end of fiscal year 2013, the City had \$210,117,231 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and water and sewer lines. This amount represents a net decrease of \$4,078,021 over the amounts for the prior fiscal year.

CITY OF DESOTO'S CAPITAL ASSETS (Net of Depreciation – in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,216	\$ 4,216	\$ 945	\$ 945	\$ 5,161	\$ 5,161
Street/Alley ROW	14,073	14,073	-	-	14,073	14,073
Construction in progress	5,304	10,584	8,308	6,715	13,612	17,299
Buildings	25,078	26,053	-	-	25,078	26,053
Infrastructure	94,819	92,619	54,683	56,333	149,502	148,952
Equipment and furniture	2,201	2,489	490	168	2,691	2,657
Total capital assets	<u>\$ 145,691</u>	<u>\$ 150,034</u>	<u>\$ 64,426</u>	<u>\$ 64,161</u>	<u>\$ 210,117</u>	<u>\$ 214,195</u>

Major capital asset events during the 2013 fiscal year include the following:

- Cockrell Hill Road Widening Project. The scope of the work included widening Cockrell Hill Road from Belt Line Road to Parkerville Road from a two-lane asphalt road to a four-lane concrete roadway with landscaping, lighting, underground drainage and meandering sidewalks. This project also included extending drainage infrastructure from Belt Line Road to the southern City limits line. The estimated capitalized cost for this project is \$7,000,000.
- Plantation Drainage Project: The scope of the work included reconstruction of a large diameter storm drain pipe and bank stabilization. The estimated capitalized cost for this project is \$400,000.
- Medical District Second Feeder Project: The scope of the work included constructing a ten foot (10”) water line from Daniieldale Road to Kirnwood Drive in order to provide system redundancy for the medical district area. The estimated capitalized cost for this project is \$400,000.

Additional information on the City’s capital assets can be found in Note 4 beginning on page 41 of this report.

Debt Administration

CITY OF DESOTO'S OUTSTANDING DEBT (in thousands of dollars)

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation	\$ 49,253	\$ 54,116	\$ 3,392	\$ 3,259	\$ 52,645	\$ 57,375
Certificates of obligation	14,855	15,865	15,195	12,435	30,050	28,300
Notes payable	<u>459</u>	<u>679</u>	<u>-</u>	<u>-</u>	<u>459</u>	<u>679</u>
	<u>\$ 64,567</u>	<u>\$ 70,660</u>	<u>\$ 18,587</u>	<u>\$ 15,694</u>	<u>\$ 83,154</u>	<u>\$ 86,354</u>

The City has an AA rating from Fitch and an AA- rating from Standard & Poor's.

In fiscal year 2013, the City used the proceeds from the sale the 2013 series of tax exempt general obligation bonds to refund a portion of the City's outstanding series 2005 general obligation bonds and series 2005 certificate of obligation bonds. The 2013 series general obligation bonds are recorded as general government debt and business-type activities.

Additional information on the City's long-term debt can be found in Note 5 beginning on page 44 of this report.

Economic Factors and Next Year's Budgets and Rates

The two major financing sources for general government operations: Property Tax and Sales Tax are the major areas of focus. The increase in general government Property Tax revenue is due to the City's restructuring of its debt obligations. This resulted in a reallocation of the property tax rate to the O&M rate for the coming fiscal year. The FY 2014 budget was adopted with an O&M tax rate of \$0.5303, a \$0.0104 increase from FY 2013.

Sales Tax is the second largest revenue source. In 2013, retail spending grew and the City experienced an increase in sales tax revenue. For this reason the City conservatively projected a slight increase in sales tax projections for FY 2014.

The estimates for Franchise Fees for FY 2013 actuals were consistent with prior year but did not meet expectations. In FY 2014 the budget for franchise fees will remain static. Charges for services exceeded current year budgeted revenues by \$22,954. Because this category of revenues collections can span fiscal years it will be budgeted conservatively in FY 2014. Overall, budgeted revenue in the General Fund for FY 2014 increased by approximately \$1.1million, which represents a 3.7% increase over the amount budgeted for fiscal year 2013.

The fiscal year 2014 budget provides funding for all aspects of our service delivery. This spending plan meets the objective of maintaining the current level of services.

Because the City is a service organization, a major portion of the operating budget is allocated to employee compensation and fringe benefits. Maintaining these items at a current market rate requires that new resources be allocated annually. The increases in salary will reflect a 1% increase for eligible employees. These normal increases appear in the budget each year in addition to any potential market adjustment. Also, programmed into FY 2014 budget were additional positions to enhance services. The total cost associated with salary adjustments and new positions in fiscal year 2014 is approximately \$556,000, an overall increase of 2.6%.

In addition to salary adjustments, in the past, we have experienced a decrease in Texas Municipal Retirement System ("TMRS") contributions. It is important to note that in fiscal year 2014 we will continue participation in TMRS, and the City's match of 1.5:1. In FY 2014, the actuarial rate will be 11.88%, which is a decrease of .43% from the previous fiscal year. This allows us to continue in TMRS and meet, over time, the UAAL obligation. All other personnel related benefit programs remain at the level reflected in the fiscal year 2014 budget.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Assistant Finance Director, 211 E. Pleasant Run Road, DeSoto, Texas 75115, or call (972) 230-9631, or email tjordan@desototexas.gov.

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**BASIC
FINANCIAL STATEMENTS**

CITY OF DESOTO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 20,587,900	\$ 23,722,572	\$ 44,310,472
Receivables	3,794,145	3,016,351	6,810,496
Due from other governments	235,608	-	235,608
Due from component unit	12,661	-	12,661
Due from primary government	-	-	-
Inventories	45,363	6,026	51,389
Note from component unit	2,049,005	-	2,049,005
Notes receivable	-	-	-
Investment in joint ventures	1,175,672	-	1,175,672
Capital assets:			
Non-depreciable	23,593,211	9,253,197	32,846,408
Depreciable, net	122,097,784	55,173,039	177,270,823
Total assets	<u>173,591,349</u>	<u>91,171,185</u>	<u>264,762,534</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	993,468	94,004	1,087,472
Total deferred outflows of resources	<u>993,468</u>	<u>94,004</u>	<u>1,087,472</u>
LIABILITIES			
Accounts payable	1,640,612	1,154,703	2,795,315
Due to component unit	21,666	-	21,666
Due to primary government	-	-	-
Accrued liabilities	1,035,124	120,321	1,155,445
Retainage payable	79,569	177,287	256,856
Unearned revenues	64,344	38,477	102,821
Accrued interest	331,397	90,792	422,189
Customer deposits	-	1,322,928	1,322,928
Noncurrent liabilities:			
Due within one year	5,711,052	1,170,264	6,881,316
Due in more than one year	68,022,992	18,316,978	86,339,970
Total liabilities	<u>76,906,756</u>	<u>22,391,750</u>	<u>99,298,506</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on bond refunding	341,155	-	341,155
Total deferred inflows of resources	<u>341,155</u>	<u>-</u>	<u>341,155</u>
NET POSITION			
Net investment in capital assets	85,681,327	55,777,822	141,459,149
Restricted for:			
Debt service	1,000,515	-	1,000,515
Public safety	696,371	-	696,371
Economic development	800,580	-	800,580
Unrestricted (deficit)	<u>9,158,113</u>	<u>13,095,617</u>	<u>22,253,730</u>
Total net position	<u>\$ 97,336,906</u>	<u>\$ 68,873,439</u>	<u>\$ 166,210,345</u>

The accompanying notes to the financial statements are an integral part of this statement.

Component Units	
DeSoto Park Development Corporation	DeSoto Development Corporation
\$ 452,469	\$ 2,210,110
92,097	282,083
-	-
-	-
21,666	-
-	-
-	-
-	93,998
-	-
11,250	-
2,601,379	-
<u>3,178,861</u>	<u>2,586,191</u>
-	16,448
-	<u>16,448</u>
2,185	5,270
-	-
-	12,661
-	-
-	-
-	-
14,831	13,800
-	-
340,000	253,250
2,835,000	2,691,637
<u>3,192,016</u>	<u>2,976,618</u>
-	-
-	-
982,629	-
-	-
-	-
-	-
(995,784)	(373,979)
<u>\$(13,155)</u>	<u>\$(373,979)</u>

CITY OF DESOTO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,054,193	\$ 618,605	\$ 207,484	\$ 251,468
Public safety	17,789,694	3,024,624	772,942	-
Development services	8,878,903	871,691	34,358	-
Financial services	948,756	-	-	-
Information technology	306,289	-	-	-
Human resources	246,211	-	-	-
Parks and leisure services	3,487,589	768,546	10,164	125,000
Library services	892,249	63,068	15,081	-
Interest on long-term debt	2,634,793	-	-	-
Total governmental activities	<u>39,238,677</u>	<u>5,346,534</u>	<u>1,040,029</u>	<u>376,468</u>
Business-type activities:				
Public utility	14,061,689	16,532,417	-	137,750
Storm drainage	1,970,730	1,488,332	-	-
Sanitation	3,695,159	3,848,776	-	-
Total business-type activities	<u>19,727,578</u>	<u>21,869,525</u>	<u>-</u>	<u>137,750</u>
Total primary government	<u>\$ 58,966,255</u>	<u>\$ 27,216,059</u>	<u>\$ 1,040,029</u>	<u>\$ 514,218</u>
Component units:				
DPDC	\$ 402,244	\$ -	\$ -	\$ -
DEDC	1,400,633	-	-	-
Total component units	<u>\$ 1,802,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property				
Franchise				
Sales				
Hotel occupancy				
Mixed beverage				
Investment earnings				
Miscellaneous				
Gain on sale of asset				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Change in accounting principles				
Net position - beginning, restated				
Net position - ending				

The accompanying notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	DeSoto Park Development Corporation	DeSoto Economic Development Corporation
\$ (2,976,636)	\$ -	\$ (2,976,636)	\$ -	\$ -
(13,992,128)	-	(13,992,128)	-	-
(7,972,854)	-	(7,972,854)	-	-
(948,756)	-	(948,756)	-	-
(306,289)	-	(306,289)	-	-
(246,211)	-	(246,211)	-	-
(2,583,879)	-	(2,583,879)	-	-
(814,100)	-	(814,100)	-	-
(2,634,793)	-	(2,634,793)	-	-
(32,475,646)	-	(32,475,646)	-	-
-	2,608,478	2,608,478	-	-
-	(482,398)	(482,398)	-	-
-	153,617	153,617	-	-
-	2,279,697	2,279,697	-	-
(32,475,646)	2,279,697	(30,195,949)	-	-
-	-	-	(402,244)	-
-	-	-	-	(1,400,633)
-	-	-	(402,244)	(1,400,633)
21,165,572	-	21,165,572	-	-
2,846,979	-	2,846,979	-	-
6,089,949	-	6,089,949	507,496	1,522,487
725,382	-	725,382	-	-
30,437	-	30,437	-	-
74,177	68,425	142,602	1,068	10,902
132,143	-	132,143	-	606
75,459	-	75,459	-	-
1,836,131	(1,836,131)	-	-	-
32,976,229	(1,767,706)	31,208,523	508,564	1,533,995
500,583	511,991	1,012,574	106,320	133,362
98,146,848	68,641,984	166,788,832	(39,760)	(400,220)
(1,310,525)	(280,536)	(1,591,061)	(79,715)	(107,121)
96,836,323	68,361,448	165,197,771	(119,475)	(507,341)
\$ 97,336,906	\$ 68,873,439	\$ 166,210,345	\$ (13,155)	\$ (373,979)

CITY OF DESOTO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General	Debt Service
ASSETS		
Cash and investments	\$ 10,053,160	\$ 1,635,825
Receivables, net:		
Taxes	1,699,206	264,185
Due from other governments	188,433	-
Accounts	1,720,122	33,039
Due from other funds	41,668	-
Due from component unit	12,661	-
Inventories	45,363	-
Note receivable	-	1,940,000
Total assets	\$ 13,760,613	\$ 3,873,049
LIABILITIES		
Accounts payable	\$ 859,433	\$ 5,590
Accrued liabilities	997,248	-
Due to other funds	-	-
Due to component unit	-	21,666
Unearned revenues	53,223	-
Total liabilities	1,909,904	27,256
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	1,214,448	2,190,656
Total deferred inflows of resources	1,214,448	2,190,656
FUND BALANCES		
Nonspendable:		
Inventories	45,363	-
Note receivable	-	-
Restricted:		
Debt service	-	1,655,137
Street improvements	-	-
Public safety	-	-
Economic development	-	-
Capital projects	-	-
Committed:		
Public health	-	-
Development	-	-
Assigned:		
Street improvements	-	-
Capital projects	-	-
Unassigned	10,590,898	-
Total fund balances	10,636,261	1,655,137
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,760,613	\$ 3,873,049

The accompanying notes to the financial statements are an integral part of this statement.

<u>Street Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 6,379,008	\$ 2,519,907	\$ 20,587,900
-	-	1,963,391
-	47,175	235,608
1,569	76,024	1,830,754
-	-	41,668
-	-	12,661
-	-	45,363
<u>109,005</u>	<u>-</u>	<u>2,049,005</u>
<u>\$ 6,489,582</u>	<u>\$ 2,643,106</u>	<u>\$ 26,766,350</u>
\$ 580,053	\$ 195,536	\$ 1,640,612
-	37,876	1,035,124
-	41,668	41,668
-	-	21,666
-	11,121	64,344
<u>580,053</u>	<u>286,201</u>	<u>2,803,414</u>
<u>-</u>	<u>-</u>	<u>3,405,104</u>
<u>-</u>	<u>-</u>	<u>3,405,104</u>
-	-	45,363
109,005	-	109,005
-	-	1,655,137
5,684,787	-	5,684,787
-	696,371	696,371
-	800,580	800,580
-	35,248	35,248
-	18,355	18,355
-	277,947	277,947
115,737	-	115,737
-	528,404	528,404
-	-	10,590,898
<u>5,909,529</u>	<u>2,356,905</u>	<u>20,557,832</u>
<u>\$ 6,489,582</u>	<u>\$ 2,643,106</u>	<u>\$ 26,766,350</u>

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CITY OF DESOTO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total fund balance - governmental funds		\$ 20,557,832
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 this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		145,690,995
The investment in joint ventures is not considered a financial asset. Therefore, this is not reported in the governmental funds balance sheet.		1,175,672
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.		3,405,104
Interest on long-term debt is recognized when paid at the fund level, but is accrued when incurred in the government-wide financials.		(331,397)
Some items (such as notes payable, capital lease obligations, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the government-wide financials.		
TMRS liability	\$(593,813)	
Retainage payable	(79,569)	
Notes payable	(459,346)	
Bonds payable	(64,108,285)	
Compensated absences	(4,323,903)	
Capital lease obligations	(308,020)	
Bond premium	(3,940,677)	
Gain on bond refunding	(341,155)	
Loss on bond refunding	993,468	
Total long-term liabilities	<u>(73,161,300)</u>	<u>(73,161,300)</u>
Net position of governmental activities in the statement of net position		<u>\$ 97,336,906</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF DESOTO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General	Debt Service
REVENUES		
Property taxes	\$ 14,476,315	\$ 6,671,119
Franchise fees	2,846,979	-
Sales taxes	6,089,949	-
Hotel occupancy tax	-	-
Mixed beverage tax	30,437	-
Fines and forfeitures	932,688	-
Licenses and permits	871,691	-
Intergovernmental	462,269	327,163
Charges for services	2,153,704	-
Investment earnings	44,793	4,992
Recreation services	748,099	-
Miscellaneous	144,934	-
Total revenues	28,801,858	7,003,274
EXPENDITURES		
Current:		
General government	1,754,094	-
Public safety:		
Police	9,035,784	-
Fire	6,887,848	-
Development services	3,049,552	-
Financial services	758,810	-
Information technology	290,045	-
Human resources	247,092	-
Parks and leisure services	3,052,228	-
Library services	875,161	-
Non-departmental	1,423,854	-
Debt service:		
Principal	321,648	5,281,139
Interest and other charges	37,711	2,878,077
Payment to refunded bond escrow agent	-	11,161,123
Capital outlay	671,300	-
Total expenditures	28,405,127	19,320,339
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	396,731	(12,317,065)
OTHER FINANCING SOURCES (USES)		
Issuance of long-term debt	-	10,375,000
Sale of capital assets	104,052	-
Premium on issuance of bonds	-	733,159
Transfers in	1,846,730	1,260,314
Transfers out	(1,005,367)	-
Total other financing sources and uses	945,415	12,368,473
NET CHANGE IN FUND BALANCES	1,342,146	51,408
FUND BALANCES, BEGINNING	9,294,115	1,603,729
FUND BALANCES, ENDING	\$ 10,636,261	\$ 1,655,137

The accompanying notes to the financial statements are an integral part of this statement.

<u>Street Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ 21,147,434
-	-	2,846,979
-	-	6,089,949
-	725,382	725,382
-	-	30,437
-	65,724	998,412
-	-	871,691
-	1,078,326	1,867,758
-	35,567	2,189,271
18,991	5,401	74,177
-	-	748,099
-	146,458	291,392
18,991	2,056,858	37,880,981
-	366,744	2,120,838
-	947,601	9,983,385
-	46,363	6,934,211
53,874	360	3,103,786
-	74,956	833,766
-	-	290,045
-	-	247,092
-	24,842	3,077,070
-	-	875,161
-	-	1,423,854
-	-	5,602,787
-	-	2,915,788
-	-	11,161,123
2,023,827	690,984	3,386,111
2,077,701	2,151,850	51,955,017
(2,058,710)	(94,992)	(14,074,036)
-	-	10,375,000
-	-	104,052
-	-	733,159
534,689	435,384	4,077,117
(1,035,996)	(199,623)	(2,240,986)
(501,307)	235,761	13,048,342
(2,560,017)	140,769	(1,025,694)
8,469,546	2,216,136	21,583,526
\$ 5,909,529	\$ 2,356,905	\$ 20,557,832

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CITY OF DESOTO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds:	\$(1,025,694)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense. This is the amount of capital asset recorded in the current period.	3,448,574
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(7,780,262)
The net effect of various transactions involving capital assets, such as sales and disposals, is to decrease net position.	(28,593)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	
Change in unavailable revenue	(53,311)
Change in equity interest of joint ventures	(79,518)
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Net Position shows this as a reduction of long-term liabilities.	
Issuance of debt	(11,108,159)
Repayment of principal on long-term debt	5,602,787
Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and deferred inflows and outflows of resources.	
Payment to refunding escrow agent	11,161,123
Premium on debt	323,748
Bond refunding gain	28,430
Bond refunding loss	(107,605)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest	36,422
Compensated absences	88,056
TMRS liability	(5,415)
Change in net position of governmental activities	<u>\$ 500,583</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF DESOTO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
ASSETS				
Current assets:				
Cash and investments	\$ 19,845,854	\$ 2,363,132	\$ 1,513,586	\$ 23,722,572
Accounts receivable, net	2,420,295	157,193	438,863	3,016,351
Inventories	<u>6,026</u>	<u>-</u>	<u>-</u>	<u>6,026</u>
Total current assets	<u>22,272,175</u>	<u>2,520,325</u>	<u>1,952,449</u>	<u>26,744,949</u>
Non-current assets:				
Capital assets:				
Land	283,902	341,197	320,087	945,186
Construction in progress	7,799,261	508,750	-	8,308,011
Improvements	9,377,369	4,965,680	548,503	14,891,552
Water and sewer systems	75,737,415	-	-	75,737,415
Drainage systems	-	11,865,874	-	11,865,874
Equipment and furniture	1,356,755	81,587	251,894	1,690,236
Accumulated depreciation	<u>(43,324,304)</u>	<u>(5,433,160)</u>	<u>(254,574)</u>	<u>(49,012,038)</u>
Total non-current assets	<u>51,230,398</u>	<u>12,329,928</u>	<u>865,910</u>	<u>64,426,236</u>
Total assets	<u>73,502,573</u>	<u>14,850,253</u>	<u>2,818,359</u>	<u>91,171,185</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	<u>-</u>	<u>94,004</u>	<u>-</u>	<u>94,004</u>
Total deferred outflows of resources	<u>-</u>	<u>94,004</u>	<u>-</u>	<u>94,004</u>
LIABILITIES				
Current liabilities:				
Accounts payable	610,888	253,109	290,706	1,154,703
Accrued liabilities	94,583	13,302	12,436	120,321
Retainage payable	115,178	62,109	-	177,287
Customer deposits	1,322,928	-	-	1,322,928
Accrued interest	68,873	21,919	-	90,792
Unearned revenue	3,275	-	35,202	38,477
Compensated absences	59,290	11,500	7,278	78,068
Bonds payable	<u>595,000</u>	<u>497,196</u>	<u>-</u>	<u>1,092,196</u>
Total current liabilities	<u>2,870,015</u>	<u>859,135</u>	<u>345,622</u>	<u>4,074,772</u>
Non-current liabilities:				
Compensated absences	177,869	34,503	21,835	234,207
Bonds payable	14,001,101	4,032,958	-	18,034,059
TMRS net pension obligation	<u>39,129</u>	<u>2,331</u>	<u>7,252</u>	<u>48,712</u>
Total non-current liabilities	<u>14,218,099</u>	<u>4,069,792</u>	<u>29,087</u>	<u>18,316,978</u>
Total liabilities	<u>17,088,114</u>	<u>4,928,927</u>	<u>374,709</u>	<u>22,391,750</u>
NET POSITION				
Net investment in capital assets	45,884,802	9,027,110	865,910	55,777,822
Unrestricted	<u>10,529,657</u>	<u>988,220</u>	<u>1,577,740</u>	<u>13,095,617</u>
Total net position	<u>\$ 56,414,459</u>	<u>\$ 10,015,330</u>	<u>\$ 2,443,650</u>	<u>\$ 68,873,439</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DESOTO, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
REVENUES				
Charges for services	\$ 16,520,933	\$ 1,488,332	\$ 3,848,776	\$ 21,858,041
Miscellaneous	11,484	-	-	11,484
Total operating revenues	<u>16,532,417</u>	<u>1,488,332</u>	<u>3,848,776</u>	<u>21,869,525</u>
OPERATING EXPENSES				
Personnel costs	1,713,403	282,519	241,253	2,237,175
Water supply	3,901,555	-	-	3,901,555
Wastewater treatment	3,672,978	-	-	3,672,978
Refuse collection	-	-	2,660,733	2,660,733
Administrative charges	1,269,164	102,673	500,000	1,871,837
Contractual services	181,091	12,230	162,427	355,748
Repairs and maintenance	474,562	719,784	31,918	1,226,264
Materials and supplies	170,456	7,313	35,294	213,063
Other	146,980	3,773	469	151,222
Depreciation	2,046,420	677,365	63,065	2,786,850
Total operating expenses	<u>13,576,609</u>	<u>1,805,657</u>	<u>3,695,159</u>	<u>19,077,425</u>
OPERATING INCOME (LOSS)	<u>2,955,808</u>	<u>(317,325)</u>	<u>153,617</u>	<u>2,792,100</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment earnings	55,884	7,679	4,862	68,425
Interest expense	(485,080)	(165,073)	-	(650,153)
Total non-operating revenues (expenses)	<u>(429,196)</u>	<u>(157,394)</u>	<u>4,862</u>	<u>(581,728)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,526,612	(474,719)	158,479	2,210,372
Capital contributions	137,750	-	-	137,750
Transfers out	(1,836,131)	-	-	(1,836,131)
CHANGE IN NET POSITION	828,231	(474,719)	158,479	511,991
NET POSITION, BEGINNING	55,796,812	10,560,001	2,285,171	68,641,984
CHANGE IN ACCOUNTING PRINCIPLES	(210,584)	(69,952)	-	(280,536)
NET POSITION, BEGINNING, AS RESTATED	<u>55,586,228</u>	<u>10,490,049</u>	<u>2,285,171</u>	<u>68,361,448</u>
NET POSITION, ENDING	<u>\$ 56,414,459</u>	<u>\$ 10,015,330</u>	<u>\$ 2,443,650</u>	<u>\$ 68,873,439</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DESOTO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 16,387,362	\$ 1,477,654	\$ 3,927,559	\$ 21,792,575
Payments to suppliers	(10,151,344)	(657,637)	(3,374,222)	(14,183,203)
Payments to employees	<u>(1,677,470)</u>	<u>(273,689)</u>	<u>(238,846)</u>	<u>(2,190,005)</u>
Net cash provided by operating activities	<u>4,558,548</u>	<u>546,328</u>	<u>314,491</u>	<u>5,419,367</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out to other funds	<u>(1,836,131)</u>	<u>-</u>	<u>-</u>	<u>(1,836,131)</u>
Net cash used by noncapital financing activities	<u>(1,836,131)</u>	<u>-</u>	<u>-</u>	<u>(1,836,131)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of property, plant and equipment	(2,738,057)	(428,906)	-	(3,166,963)
Disposal of capital assets	103,371	-	-	103,371
Proceeds from issuance of bonds	3,865,000	-	-	3,865,000
Capital grants	137,750	-	-	137,750
Principal paid on long-term debt	(450,000)	(493,861)	-	(943,861)
Interest paid on long-term debt	<u>(478,608)</u>	<u>(191,581)</u>	<u>-</u>	<u>(670,189)</u>
Net cash used by capital and related financing activities	<u>439,456</u>	<u>(1,114,348)</u>	<u>-</u>	<u>(674,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>55,884</u>	<u>7,679</u>	<u>4,862</u>	<u>68,425</u>
Net cash provided by investing activities	<u>55,884</u>	<u>7,679</u>	<u>4,862</u>	<u>68,425</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,217,757	(560,341)	319,353	2,976,769
CASH AND CASH EQUIVALENTS, BEGINNING	<u>16,628,097</u>	<u>2,923,473</u>	<u>1,194,233</u>	<u>20,745,803</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 19,845,854</u>	<u>\$ 2,363,132</u>	<u>\$ 1,513,586</u>	<u>\$ 23,722,572</u>

CITY OF DESOTO, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET				
CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 2,955,808	\$(317,325)	\$ 153,617	\$ 2,792,100
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,046,420	677,365	63,065	2,786,850
Change in assets and liabilities:				
Decrease (increase) in customer receivable	(177,755)	(10,678)	67,960	(120,473)
Decrease (increase) in inventory	(551)	-	-	(551)
Increase (decrease) in accounts payable	(334,007)	188,136	14,587	(131,284)
Increase (decrease) in accrued liabilities	11,082	1,782	2,032	14,896
Increase (decrease) in customer deposits	33,195	-	-	33,195
Increase (decrease) in unearned revenue	(495)	-	10,823	10,328
Increase (decrease) in compensated absences	24,851	7,048	2,407	34,306
Total adjustments	1,602,740	863,653	160,874	2,627,267
Net cash provided by operating activities	\$ 4,558,548	\$ 546,328	\$ 314,491	\$ 5,419,367

NONCASH CAPITAL AND FINANCING ACTIVITIES

The City issued bonds to refund Drainage Fund long-term debt. \$922,817 was deposited into an irrevocable trust for the defeasance of \$980,000 of outstanding long-term debt.

The notes to the financial statements are an integral part of this statement.

CITY OF DESOTO, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ <u>750,293</u>
Total assets	\$ <u><u>750,293</u></u>
LIABILITIES	
Due to Southwest Regional Communications Center	\$ <u>750,293</u>
Total liabilities	\$ <u><u>750,293</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF DESOTO, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of DeSoto (the “City”) was incorporated in 1949. The City operates as a home-rule City under a council-manager form of government with a mayor and six City Council members elected at large. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water, sewer and drainage utilities, solid waste operations, public library, parks and recreation, public improvements, planning, zoning and code enforcement, and general administrative services.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and reporting policies:

Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

Based on these criteria, the financial information of the following entities have been blended or discretely presented within the financial statements.

Blended Component Units

Health Facilities Development Corporation – The City created the Corporation to assist the maintenance of public health within the City. The Corporation’s governing body is the same as the governing body of the City. The Corporation is authorized to sell bonds. Operational responsibility of the Health Facilities Development Corporation lies with City management. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

Housing Finance Corporation – The City created the Corporation to carry out the purposes of the Texas Housing Finance Corporations Act within the City. The Corporation’s governing body is the same as the governing body of the City. There are seven directors. The Corporation is authorized to sell bonds. Operational responsibility of the Housing Finance Corporation lies with City management. Upon dissolution of the Corporation, title to or other interests in any real or personal property owned by the Corporation shall vest in the City.

Industrial Development Authority, Inc. – The City created the Corporation for the purposes of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and public welfare within the City. The Corporation’s governing body is the same as the governing body of the City and operational responsibility lies with City management. The Corporation is authorized to sell bonds. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

Discretely Presented Component Units

DeSoto Economic Development Corporation – The Corporation was created for the purpose of promoting economic development within the City. There are five directors, all appointed by the City Council. All directors are residents of the City. Each director serves a three-year staggered term. The Corporation is authorized to borrow funds and issue bonds with City Council approval.

DeSoto Parks Development Corporation – The Corporation was created for the purpose of promoting parks within the City. There are seven directors, all appointed by the City Council. All directors are residents of the City. Each director serves a two-year staggered term. The Corporation is authorized to issue bonds for public parks and park facilities projects with City Council approval.

Separate financial statements are not issued for the DPDC, the Health Facilities Development Corporation, the Housing Finance Corporation and the Industrial Development Authority. Complete financial statements are issued by the DEDC and can be obtained from:

DeSoto Economic Development Corporation
211 E. Pleasant Run Road
DeSoto, Texas 75115

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its discretely presented component units.

All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

Governmental activities, which are normally supported by property, sales and franchise taxes, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Significant revenues generated from business-type activities include: charges to customers for water and wastewater services, municipal drainage services and charges for solid waste services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function 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 function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues in the statement of activities.

In addition to the government-wide financial statements, the City also reports separate financial statements for governmental funds, proprietary funds, and fiduciary funds; these statements are classified as fund financial statements. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds at September 30, 2013:

General Fund – The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – This fund accounts for the accumulation of resources (primarily property tax levies) for the payment of principal, interest and related costs of general long-term debt.

Street Improvements Funds – These funds account for the financial and construction costs of various street improvement projects within the City. General obligation and certificate of obligation bonds provide the financing.

The City reports the following major proprietary funds at September 30, 2013:

Public Utility Fund – This fund accounts for water and wastewater system services provided for residents and businesses of the City, including administration, operations, maintenance, debt service, billing and collection.

Drainage Fund – This fund accounts for the operation of the Drainage Utility and provides funding for drainage capital improvements, and enhanced maintenance of the drainage system.

Sanitation Fund – This fund accounts for revenues and expenses of solid waste operations. Revenues are generated through user charges. This fund also funds additional services for litter control and median beautification, street sweeping and household hazardous waste collection.

Additionally, the City reports the following fund type:

Agency Fund – This fund reports cash and investments held by the City on behalf of the Southwest Regional Communications Center.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) are reported on the Statement of Net Position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. Measurable means the amount of the transaction can be determined. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the fiscal year-end. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, and liabilities for accrued compensated absences and arbitrage rebate, which are recognized when due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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. The principal operating revenues of the City's proprietary operations are charges to customers for sales and services. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses. Unbilled receivables for water and sewer services are recorded at year-end.

There is one fiduciary fund which is an Agency Fund. Agency Funds represent funds held in an agency capacity of the Southwest Regional Communication Center. These funds are monies held by the City related to the operation of the regional dispatch center, a joint venture of the City. These funds do not belong to the City. Agency funds do not have a measurement focus.

Investments

The City follows the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue. The Statement further provides that the City has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in this regard. In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act") Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within 60 days of the fiscal year are recorded as deferred revenue and is recognized when it becomes available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. Current taxes are due on October 1, and become delinquent if unpaid on February 1 and are turned over to the City Attorney for collection on July 1. Delinquent property taxes attach as an enforceable lien on property as of January 1. For the year ended September 30, 2013, the City had a tax rate of \$.7574 per \$100, of which \$.5199 was allocated for general government, and \$.2375 was allocated for payment of principal and interest on governmental activities long-term debt.

Receivables

Taxes and accounts receivable are shown net of an allowance for uncollectible. Accounts receivable in excess of 90 days comprise the allowance for uncollectible. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at September 30, 2013.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventory

Inventories are valued at cost, using the first-in, first-out method. The City utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses when used rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, infrastructure, improvements, equipment and construction in progress, 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 recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Infrastructure, water and sewer system, and water line replacements	10 - 50 years
Buildings	32 years
Equipment and furniture	3 - 10 years
Capital lease equipment	Shorter of 5 years or lease term

Compensated Absences

The City permits employees to accumulate to certain limits unused vacation, sick leave and compensatory time. For civilian and police employees, unused vacation leave may be accumulated to a maximum of 320 hours and unused sick leave may be accumulated to a maximum of 720 hours. For firefighters, unused vacation leave may be accumulated to a maximum of 480 hours and unused sick leave may be accumulated to a maximum of 1,080 hours. GASB Interpretation No. 6 indicates that liabilities for compensated absences are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities to the extent that they mature each period. Accrued compensated absences are reported in the respective columns in the government-wide financial statements and in the proprietary fund financial statements when earned. Compensated absences are reported in governmental funds only if they have matured.

Long-term Debt

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds if material in amount. In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt is recorded as other financing sources. Bond premiums and discounts are recorded as other financing sources and uses.

Interfund Transactions

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, are recorded as transfers.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City is reporting balances for deferred losses on bond refundings in both the government-wide Statement of Net Position and the Statement of Net Position – Proprietary Funds. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City only has one type of item in the government-wide financial statements to report in this category. The City is reporting balances for deferred gains on bond refundings in the government-wide Statement of Net Position. A deferred gain on a bond refunding results when the carrying value of the refunded debt exceeds the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Additionally, the City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Property taxes	\$ 555,955	\$ 250,656	\$ 806,611
Court fines and fees receivable	202,499	-	202,499
Ambulance	445,769	-	445,769
Alarm permits	10,225	-	10,225
Note receivable	-	1,940,000	1,940,000
Total	<u>\$ 1,214,448</u>	<u>\$ 2,190,656</u>	<u>\$ 3,405,104</u>

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Change in Accounting Principles

As the result of implementing GASB Statement Nos. 63 and 65, the City has restated the beginning net position, effectively decreasing net position as of October 1, 2012 by \$1,310,525 for the governmental activities, by \$280,536 for the business-type activities and proprietary funds, by \$79,715 for DeSoto Park Development Corporation, and by \$107,121 for DeSoto Economic Development Corporation. These decreases result from no longer deferring and amortizing bond issuance costs.

Further, the City has restated its long-term liabilities to reflect that components of those liabilities as of October 1, 2012, deferred loss on bond refunding and deferred gain on bond refunding, are now reported as deferred outflows and deferred inflows of resources in the government-wide and proprietary fund financial statements. The effect of this change increases the long-term liabilities of the governmental activities by \$537,365, increase long-term liabilities of the business-type activities by \$89,745, and increases long-term liabilities of DeSoto Economic Development Corporation by \$16,448. These increases in long-term liabilities correspond to an increase in deferred outflows and deferred inflows of resources.

2. CASH AND INVESTMENTS

The City's investments at September 30, 2013, are as follows:

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Weighted Average Maturity (Days)</u>
MBIA	\$ 12,119,921	AAAm	Standard & Poor's	32
TexPool	<u>1,677,952</u>	AAAm	Standard & Poor's	60
	<u>\$ 13,797,873</u>			

Interest Rate Risk: In order to minimize risk of loss due to interest rate fluctuations, the City's investment policy states investment maturities will not exceed the anticipated cash flow requirement of the funds as follows:

Operating Funds – The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity of each security and the maximum allowable maturity shall be there for years.

Debt Service Fund – The maximum maturity for securities purchased shall not exceed the corresponding debt service payment date.

Special Purpose Funds – The maximum maturity shall not exceed five years and each fund's weighted average life shall not exceed three years.

Credit Risk: In compliance with the City’s investment policy as of September 30, 2013, 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, brokers/dealers, and advisors with which the City does business, and diversifying the investment portfolio so that potential losses on individual securities are minimized.

Custodial Credit Risk: The City maintains a cash and investment pool that combines cash of the various funds in order to maximize investment opportunities. The City’s policy and state statutes require that all deposits in financial institutions be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized as per the Public Funds Collateral Act. The City’s deposits were fully insured or collateralized as required by state statutes as of September 30, 2013.

Discretely Presented Component Units

As of September 30, 2013, all of DEDC’s and DPDC’s deposits were fully insured by FDIC insurance or collateralized.

3. RECEIVABLES

Receivables at September 30, 2013, for the City’s individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds	Debt		Street	Nonmajor	Total
	General	Service	Improvement	Governmental	
Property tax	\$ 649,435	\$ 293,539	\$ -	\$ -	\$ 942,974
Sales tax	1,114,715	-	-	-	1,114,715
Hotel occupancy tax	-	-	-	75,765	75,765
Due from other governments	188,433	-	-	47,175	235,608
Court fines	2,024,991	-	-	-	2,024,991
Ambulance	2,196,450	-	-	-	2,196,450
Franchise fees	786,341	-	-	-	786,341
Alarm permits	123,310	-	-	-	123,310
Other	<u>131,079</u>	<u>33,039</u>	<u>1,569</u>	<u>259</u>	<u>165,946</u>
Gross receivables	7,214,754	326,578	1,569	123,199	7,666,100
Less allowance for uncollectibles	<u>(3,606,993)</u>	<u>(29,354)</u>	<u>-</u>	<u>-</u>	<u>(3,636,347)</u>
	<u>\$ 3,607,761</u>	<u>\$ 297,224</u>	<u>\$ 1,569</u>	<u>\$ 123,199</u>	<u>\$ 4,029,753</u>

Proprietary Funds

	Public			
	Utility	Drainage	Sanitation	Total
Customer accounts	\$ 2,442,406	\$ 157,408	\$ 361,808	\$ 2,961,622
Other	<u>24,198</u>	<u>4,307</u>	<u>88,277</u>	<u>116,782</u>
Gross receivables	2,466,604	161,715	450,085	3,078,404
Less allowance for uncollectibles	<u>(46,309)</u>	<u>(4,522)</u>	<u>(11,222)</u>	<u>(62,053)</u>
	<u>\$ 2,420,295</u>	<u>\$ 157,193</u>	<u>\$ 438,863</u>	<u>\$ 3,016,351</u>

4. CAPITAL ASSETS

Capital assets activity for governmental activities for the fiscal year ended September 30, 2013, is as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental activities:				
Capital assets - not being depreciated:				
Land	\$ 4,215,801	\$ -	\$ -	\$ 4,215,801
Street/Alley ROW	14,072,949	-	-	14,072,949
Construction in progress	<u>10,583,944</u>	<u>2,746,907</u>	<u>(8,026,390)</u>	<u>5,304,461</u>
Total assets not being depreciated	<u>28,872,694</u>	<u>2,746,907</u>	<u>(8,026,390)</u>	<u>23,593,211</u>
Capital assets - being depreciated:				
Buildings	36,393,783	-	-	36,393,783
Infrastructure	155,561,021	5,000	8,026,390	163,592,411
Equipment and furniture	<u>10,848,618</u>	<u>718,844</u>	<u>(278,256)</u>	<u>11,289,206</u>
Total capital assets - being depreciated	<u>202,803,422</u>	<u>723,844</u>	<u>7,748,134</u>	<u>211,275,400</u>
Less accumulated depreciation:				
Buildings	10,340,718	974,879	-	11,315,597
Infrastructure	62,941,581	5,832,196	-	68,773,777
Equipment and furniture	<u>8,359,718</u>	<u>973,187</u>	<u>(244,663)</u>	<u>9,088,242</u>
Total accumulated depreciation	<u>81,642,017</u>	<u>7,780,262</u>	<u>(244,663)</u>	<u>89,177,616</u>
Total capital assets - being depreciated	<u>121,161,405</u>	<u>(7,056,418)</u>	<u>7,992,797</u>	<u>122,097,784</u>
Governmental activities capital assets, net	<u>\$ 150,034,099</u>	<u>\$(4,309,511)</u>	<u>\$(33,593)</u>	<u>\$ 145,690,995</u>

Capital assets activity for business-type activities for the fiscal year ended September 30, 2013, is as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Business-type activities:				
Capital assets - not being depreciated:				
Land	\$ 945,186	\$ -	\$ -	\$ 945,186
Construction in progress	<u>6,715,040</u>	<u>2,918,400</u>	<u>(1,325,429)</u>	<u>8,308,011</u>
Total assets not being depreciated	<u>7,660,226</u>	<u>2,918,400</u>	<u>(1,325,429)</u>	<u>9,253,197</u>
Capital assets - being depreciated:				
Water and sewer system	75,067,826	4,944	664,645	75,737,415
Drainage system	11,636,842	-	229,032	11,865,874
Improvements	14,730,449	-	161,103	14,891,552
Equipment and furniture	<u>1,290,998</u>	<u>128,589</u>	<u>270,649</u>	<u>1,690,236</u>
Total capital assets - being depreciated	<u>102,726,115</u>	<u>133,533</u>	<u>1,325,429</u>	<u>104,185,077</u>
Less accumulated depreciation:				
Water and sewer system	35,878,089	1,787,935	-	37,666,024
Drainage system	2,433,946	493,120	-	2,927,066
Improvements	6,789,870	428,492	-	7,218,362
Equipment and furniture	<u>1,123,283</u>	<u>77,303</u>	<u>-</u>	<u>1,200,586</u>
Total accumulated depreciation	<u>46,225,188</u>	<u>2,786,850</u>	<u>-</u>	<u>49,012,038</u>
Total capital assets - being depreciated	<u>56,500,927</u>	<u>(2,653,317)</u>	<u>1,325,429</u>	<u>55,173,039</u>
Business-type activities capital assets, net	<u>\$ 64,161,153</u>	<u>\$ 265,083</u>	<u>\$ -</u>	<u>\$ 64,426,236</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 572,711
Public safety	845,414
Development services	5,786,564
Parks and leisure services	421,086
Library services	19,730
Finance	117,632
Information technology	<u>17,125</u>
Total governmental activities	<u>\$ 7,780,262</u>
Business-type activities:	
Water and sewer	\$ 2,046,420
Drainage	677,365
Sanitation	<u>63,065</u>
Total business-type activities	<u>\$ 2,786,850</u>

Future expenditures for capital projects will be funded from unexpended and undrawn bond proceeds. In 2003, \$32,275,000 of various General Obligation Bonds were authorized and \$29,625,000 have been issued as of September 30, 2013.

Discretely Presented Component Units

Capital assets activity for the DeSoto Park Development Corporation (DPDC) is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
DeSoto Park Development Corporation:				
Capital assets - not being depreciated:				
Land	\$ 11,250	\$ -	\$ -	\$ 11,250
Total assets not being depreciated	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>11,250</u>
Capital assets - being depreciated:				
Improvements	5,324,530	-	-	5,324,530
Total capital assets - being depreciated	<u>5,324,530</u>	<u>-</u>	<u>-</u>	<u>5,324,530</u>
Less accumulated depreciation:				
Improvements	2,572,444	150,707	-	2,723,151
Total accumulated depreciation	<u>2,572,444</u>	<u>150,707</u>	<u>-</u>	<u>2,723,151</u>
Total capital assets - being depreciated	<u>2,752,086</u>	<u>(150,707)</u>	<u>-</u>	<u>2,601,379</u>
DeSoto Park Development Corporation capital assets, net	<u>\$ 2,763,336</u>	<u>\$ (150,707)</u>	<u>\$ -</u>	<u>\$ 2,612,629</u>

Capital assets activity for the DeSoto Economic Development Corporation (DEDC) is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
DeSoto Economic Development Corporation:				
Capital assets - being depreciated:				
Furniture and equipment	\$ 69,879	\$ -	\$ -	\$ 69,879
Total capital assets - being depreciated	<u>69,879</u>	<u>-</u>	<u>-</u>	<u>69,879</u>
Less accumulated depreciation:				
Furniture and equipment	69,879	-	-	69,879
Total accumulated depreciation	<u>69,879</u>	<u>-</u>	<u>-</u>	<u>69,879</u>
Total capital assets - being depreciated	<u>69,879</u>	<u>-</u>	<u>-</u>	<u>69,879</u>
DeSoto Economic Development Corporation capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Construction Commitments

The City has active construction projects as of September 30, 2013. At year-end the City's commitments with contractors for specific projects are as follows:

Parks and Leisure	\$ 104,592
Street improvements	1,044,066
Drainage	381,454
Water and sewer	929,421
Heliport project	<u>210,761</u>
 Total commitments	 <u>\$ 2,670,293</u>

5. LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended September 30, 2013, are as follows:

	Balance 10/1/2012	Increases	Decreases	Balance 9/30/2013	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 54,116,424	\$ 10,375,000	\$(15,238,139)	\$ 49,253,285	\$ 3,682,804
Certificates of obligation	15,865,000	-	(1,010,000)	14,855,000	675,000
Bond premium	3,531,266	733,159	(323,748)	3,940,677	-
Note payable	678,926	-	(219,580)	459,346	226,241
Capital leases	410,088	-	(102,068)	308,020	46,031
Compensated absences	4,411,959	1,425,270	(1,513,326)	4,323,903	1,080,976
TMRS obligation	<u>588,398</u>	<u>5,415</u>	<u>-</u>	<u>593,813</u>	<u>-</u>
 Total	 <u>\$ 79,602,061</u>	 <u>\$ 12,538,844</u>	 <u>\$(18,406,861)</u>	 <u>\$ 73,734,044</u>	 <u>\$ 5,711,052</u>

For governmental activities, the TMRS obligation and compensated absences are generally liquidated by the General Fund.

	Balance 10/1/2012	Increases	Decreases	Balance 9/30/2013	Due Within One Year
Business-type activities:					
Certificates of obligation	\$ 12,435,000	\$ 3,865,000	\$(1,105,000)	\$ 15,195,000	\$ 645,000
2005 GO Refunding Bonds	655,000	-	(655,000)	-	-
2009 GO Refunding Bonds	53,576	-	(6,861)	46,715	7,196
2012 GO Refunding Bonds	2,550,000	-	(85,000)	2,465,000	265,000
2013 GO Refunding Bonds	-	880,000	-	880,000	175,000
Bond premium	540,255	40,844	(41,559)	539,540	-
Compensated absences	277,969	133,375	(99,069)	312,275	78,068
TMRS obligation	<u>48,712</u>	<u>-</u>	<u>-</u>	<u>48,712</u>	<u>-</u>
 Total	 <u>\$ 16,560,512</u>	 <u>\$ 4,919,219</u>	 <u>\$(1,992,489)</u>	 <u>\$ 19,487,242</u>	 <u>\$ 1,170,264</u>

Changes in the discretely presented component units' long-term liabilities for the year ended September 30, 2013, are as follows:

	Balance 10/1/2012	Increases	Decreases	Balance 9/30/2013	Due Within One Year
Component units:					
DPDC:					
2011 Revenue Refunding Bonds	\$ 1,780,000	\$ -	\$(150,000)	\$ 1,630,000	\$ 155,000
Note to City of DeSoto	<u>1,720,000</u>	<u>-</u>	<u>(175,000)</u>	<u>1,545,000</u>	<u>185,000</u>
Total	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$(325,000)</u>	<u>\$ 3,175,000</u>	<u>\$ 340,000</u>
DEDC:					
2011 Revenue Refunding Bonds	\$ 2,570,000	\$ -	\$(175,000)	\$ 2,395,000	\$ 185,000
Premium on bond issuance	44,610	-	(3,717)	40,893	-
Compensated absences	21,593	12,500	(29,104)	4,989	1,247
Note to City of DeSoto	<u>571,673</u>	<u>-</u>	<u>(67,668)</u>	<u>504,005</u>	<u>67,003</u>
Total	<u>\$ 3,207,876</u>	<u>\$ 12,500</u>	<u>\$(275,489)</u>	<u>\$ 2,944,887</u>	<u>\$ 253,250</u>

General obligation bonds, revenue bonds, certificates of obligation, and notes payable outstanding at September 30, 2013, consist of the following individual issues:

Governmental activities:

	Interest Rate	Maturity Date	Outstanding	Due Within One Year
General obligation bonds:				
2006 General Obligation	3.750%-4.25%	02/15/26	\$ 5,440,000	\$ 345,000
2007 General Obligation	4.0%-4.375%	02/15/27	4,795,000	260,000
2008 General Obligation	3.25%-4.0%	02/15/28	3,965,000	205,000
2009 General Obligation and Refunding	3.0%-4.5%	02/15/29	6,233,285	867,804
2010 Refunding	2.0%	02/15/14	250,000	250,000
2011 Refunding	2.0%-4.0%	02/15/31	1,100,000	165,000
2012 Refunding	3.0%-5.0%	02/15/25	17,095,000	655,000
2013 Refunding	2.0%-4.0%	02/15/25	<u>10,375,000</u>	<u>935,000</u>
Total general obligation bonds			<u>\$ 49,253,285</u>	<u>\$ 3,682,804</u>

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding</u>	<u>Due Within One Year</u>
Certificates of obligation:				
2006 Tax and Revenue	3.750%-4.25%	02/15/27	\$ 380,000	\$ 25,000
2007 Tax and Revenue	4.0%-4.375%	02/15/27	1,690,000	90,000
2007A Tax and Revenue (Tax exempt)	4.0%-4.25%	02/15/27	3,240,000	175,000
2007A Tax and Revenue (Taxable)	4.0%-4.5%	02/15/27	2,510,000	120,000
2008 Tax and Revenue	2.8%-4.0%	02/15/28	655,000	35,000
2009 Tax and Revenue	3.0%-4.5%	02/15/29	4,760,000	215,000
2011A Tax and Revenue	4.75%-5.75%	02/15/31	820,000	15,000
2011B Tax and Revenue	2.0%	02/15/31	<u>800,000</u>	<u>-</u>
Total certificates of obligation			<u>14,855,000</u>	<u>675,000</u>
Note payable:				
Energy Management Loan	3.0%	08/31/15	<u>459,346</u>	<u>226,241</u>
Total bonds, certificates and note payable			<u>\$ 64,567,631</u>	<u>\$ 4,584,045</u>

Business-type activities

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding</u>	<u>Due Within One Year</u>
General obligation bonds:				
2009 Refunding Bonds	3.0%-4.5%	02/15/29	\$ 46,715	\$ 7,196
2012 Refunding Bonds	3.0%-5.0%	02/15/25	2,465,000	265,000
2013 Refunding Bonds	2.0%-4.0%	02/15/25	880,000	175,000
Total general obligation bonds			<u>3,391,715</u>	<u>447,196</u>
Certificates of obligation:				
2006 Tax and Revenue	3.750%-4.25%	02/15/27	765,000	50,000
2009 Tax and Revenue	3.0%-4.5%	02/15/29	3,380,000	155,000
2010 Tax and Revenue	2.0%-4.300%	02/15/30	4,410,000	190,000
2011B Tax and Revenue	2.0%-4.0%	02/15/31	2,775,000	115,000
2013 Tax and Revenue	2.0%-3.500%	02/15/33	<u>3,865,000</u>	<u>135,000</u>
Total certificates of obligation			<u>15,195,000</u>	<u>645,000</u>
Total bonds and certificates			<u>\$ 18,586,715</u>	<u>\$ 1,092,196</u>

Component Unit - DPDC

	Interest Rate	Maturity Date	Outstanding	Due Within One Year
Bonds:				
2011 Revenue Refunding Bonds	2.0%-4.0%	02/15/22	\$ 1,630,000	\$ 155,000
Notes payable:				
City of DeSoto-2009 GOs	3.0%-4.5%	02/15/29	755,000	115,000
City of DeSoto-2012 GOs	3.0%-5.0%	02/15/25	<u>790,000</u>	<u>70,000</u>
Total notes payable			<u>1,545,000</u>	<u>185,000</u>
Total bonds and notes payable			<u>\$ 3,175,000</u>	<u>\$ 340,000</u>

Component Unit - DEDC

	Interest Rate	Maturity Date	Outstanding	Due Within One Year
Bonds:				
2011 Revenue Refunding Bonds	2.0%-4.0%	02/15/22	\$ 2,395,000	\$ 185,000
Notes payable:				
City of DeSoto-1995	3.0%-5.0%	02/15/15	34,005	17,003
City of DeSoto-2011A COs	4.75%-5.75%	02/15/31	395,000	15,000
City of DeSoto-2013 GOs	2.0%-4.0%	02/15/25	<u>75,000</u>	<u>35,000</u>
Total notes payable			<u>504,005</u>	<u>67,003</u>
Total bonds and notes payable			<u>\$ 2,899,005</u>	<u>\$ 252,003</u>

The annual requirements to amortize the long-term debt as of September 30, 2013, are as follows:

Fiscal Year	Governmental Activities				Business-type Activities	
	Bonds		Notes Payable		Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 4,357,804	\$ 2,608,861	\$ 226,241	\$ 11,251	\$ 1,092,196	\$ 680,025
2015	4,547,664	2,411,465	233,105	4,387	1,137,336	630,080
2016	4,677,426	2,243,795	-	-	957,574	598,182
2017	4,847,135	2,064,261	-	-	982,865	567,611
2018	4,896,800	1,879,032	-	-	1,018,200	534,827
2019-2023	25,526,456	6,223,989	-	-	5,488,544	2,099,299
2024-2028	14,355,000	1,414,823	-	-	5,125,000	1,036,509
2029-2033	<u>900,000</u>	<u>42,519</u>	<u>-</u>	<u>-</u>	<u>2,785,000</u>	<u>180,969</u>
Total	<u>\$ 64,108,285</u>	<u>\$ 18,888,745</u>	<u>\$ 459,346</u>	<u>\$ 15,638</u>	<u>\$ 18,586,715</u>	<u>\$ 6,327,502</u>

The annual requirements to amortize the long-term debt for discretely presented component units as of September 30, 2013, are as follows:

Fiscal Year	DPDC					
	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 155,000	\$ 55,600	\$ 185,000	\$ 58,375	\$ 340,000	\$ 113,975
2015	160,000	51,650	190,000	52,050	350,000	103,700
2016	165,000	46,775	200,000	45,475	365,000	92,250
2017	170,000	41,750	205,000	38,000	375,000	79,750
2018	180,000	35,600	210,000	29,700	390,000	65,300
2019-2022	<u>800,000</u>	<u>66,000</u>	<u>555,000</u>	<u>46,250</u>	<u>1,355,000</u>	<u>112,250</u>
Total	<u>\$ 1,630,000</u>	<u>\$ 297,375</u>	<u>\$ 1,545,000</u>	<u>\$ 269,850</u>	<u>\$ 3,175,000</u>	<u>\$ 567,225</u>

Fiscal Year	DEDC					
	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 185,000	\$ 84,788	\$ 67,003	\$ 22,296	\$ 252,003	\$ 107,084
2015	185,000	79,700	72,002	20,344	257,002	100,044
2016	195,000	73,513	15,000	19,031	210,000	92,544
2017	200,000	66,600	15,000	18,319	215,000	84,919
2018	205,000	59,513	15,000	17,606	220,000	77,119
2019-2023	1,165,000	171,563	100,000	74,175	1,265,000	245,738
2024-2028	260,000	5,200	125,000	45,881	385,000	51,081
2029-2031	<u>-</u>	<u>-</u>	<u>95,000</u>	<u>8,481</u>	<u>95,000</u>	<u>8,481</u>
Total	<u>\$ 2,395,000</u>	<u>\$ 540,877</u>	<u>\$ 504,005</u>	<u>\$ 226,133</u>	<u>\$ 2,899,005</u>	<u>\$ 767,010</u>

Current Refunding

The City issued \$11,255,000 of General Obligation Refunding Bonds, Series 2013 with interest rates ranging from 2.0%-4.0%. The proceeds were used to refund \$895,000 of outstanding Series 2005 certificates of obligation and \$10,980,000 of outstanding Series 2005 general obligation refunding and improvement bonds which had interest rates ranging from 4.0%-5.0%. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the current refunding of the bonds.

In the governmental activities, the reacquisition price exceeded the net carrying amount of the old debt by \$194,123. In the Drainage enterprise fund, the reacquisition price exceeded the net carrying amount of the old debt by \$14,817. These amounts are being reported as deferred outflows of resources and are being amortized over the remaining life of the refunding debt. The City refunded the bonds to reduce its total debt service payments over 12 years by \$1,656,842 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,467,362.

6. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of various equipment. These leases qualify as capital leases and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Governmental Activities

The cost of equipment purchased with a capital lease is \$492,206, and accumulated depreciation is \$239,360, with a carrying value of \$252,846 as of September 30, 2013.

The following is a schedule of the future minimum lease payments under these agreements and the present value of the net minimum lease payments at September 30, 2013:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 59,430
2015	59,430
2016	59,430
2017	59,430
2018	59,430
2019	<u>59,430</u>
Minimum lease payments	356,580
Less amount representing interest	<u>48,560</u>
Total	<u>\$ 308,020</u>

7. INTERFUND BALANCES AND TRANSFERS

Due to/from Other Funds

The composition of interfund balances as of September 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ <u>41,668</u>
		<u>\$ 41,668</u>

The receivable to the General Fund from the Homeland Security Grant Fund is for a temporary cash overdraft.

Due to/from Component Unit and Primary Government

Amounts due to and due from the component units and primary government consisted of the following balances as of September 30, 2013:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government	DeSoto Economic Development Corporation	\$ 12,661
DeSoto Park Development Corporation	Primary government	<u>21,666</u>
		<u>\$ 34,327</u>

The outstanding balances between these entities resulted from the time lag between the dates that goods or services were provided and the payments between entities are made.

Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2013, is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General	Street improvement	\$ 534,689	Street improvements
	Nonmajor governmental	435,384	Jail expenditures and capital improvement
	Debt service	35,294	To fund debt service
Street improvement	Debt service	1,035,996	To fund debt service
Nonmajor governmental	Debt service	189,024	To fund debt service
	General	10,599	Miscellaneous
Public utility	General	<u>1,836,131</u>	PILOT, franchise fees, energy management grant, and maintenance and equipment
Total		<u>\$ 4,077,117</u>	

8. RETIREMENT PLAN

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2013</u>	<u>Plan Year 2012</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation are as follows:

	<u>Fiscal Year</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required Contribution (ARC)	\$ 2,284,542	\$ 2,381,834	\$ 2,785,993
Interest on Net Pension Obligation	44,598	44,164	46,713
Adjustment to the ARC	(39,183)	(37,963)	(38,650)
Annual Pension Cost	2,289,957	2,388,035	2,794,056
Contributions Made	(2,284,542)	(2,381,834)	(2,785,993)
Increase in Net Pension Obligation	5,415	6,201	8,063
Net Pension Obligation, beginning	<u>637,110</u>	<u>630,909</u>	<u>622,846</u>
Net Pension Obligation, ending	<u>\$ 642,525</u>	<u>\$ 637,110</u>	<u>\$ 630,909</u>

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2011	\$ 2,794,056	\$ 2,785,993	99.71%	\$ 630,909
9/30/2012	2,388,035	2,381,834	99.74%	637,110
9/30/2013	2,289,957	2,284,542	99.76%	642,525

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

<u>Valuation date</u>	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	25.2 years; closed period	26.1 years; closed period	27.1 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-yr. smoothed market	10-yr. smoothed market	10-yr. smoothed market
Actuarial assumptions:			
Investment rate of return*	7.00%	7.00%	7.00%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.00%	3.00%	3.00%
Cost of living adjustments	2.10%	2.10%	2.10%

Funded Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
12/31/2012	\$ 82,747,260	\$ 91,947,943	90.0%	\$ 9,200,683	\$ 18,402,485	50.0%

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

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

9. POSTRETIREMENT BENEFITS

Supplemental Death Benefits

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers. The City’s contributions to the TMRS SDBF for fiscal years 2011, 2012 and 2013 are as follows:

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution Made</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 3,631	\$ 3,631	100%	\$ -
2012	3,676	3,676	100%	-
2013	3,764	3,764	100%	-

Health Insurance

In addition to providing pension benefits, retired employees are entitled to elect continuation coverage under the City’s group accident and health insurance plan. The City revised its health care plan which requires that retirees pay the full cost of their health care as determined by the City’s health care provider. The health care provider segregates the retired employees and calculates the healthcare costs for that group. Therefore, the City does not have an implicit cost for retired employees’ health care coverage and no liability for postretirement benefits.

10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with IRC 457. The plan, available to all permanent City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. Participants' rights under the plan are in an amount equal to the fair value of the deferred account for each participant. Investments that are held by an outside trustee in the deferred compensation plan are not reported in the City's financial statements as the City maintains no fiduciary responsibility for such assets.

11. COMMITMENTS AND CONTINGENCIES

Trinity River Authority of Texas

In November 1983, the City and other area municipalities entered into a contract with the Trinity River Authority (the "Authority") for utilization of the Authority's sewer transmission and treatment facilities. Under the contract, the City is required to pay a portion of the annual cash requirement to operate the facility determined by dividing the actual number of gallons discharged into the system by the City by the total number of gallons discharged by all of the participating cities. Accordingly, the future obligations of the City in connection with the contract cannot be estimated since payment varies in direct relationship to gallons discharged. The City has no ownership interest in the Authority or in conjunction with other participating cities.

Total payments made by the City under the contract amounted to \$3,672,978 for 2013. The payments are reflected in the accompanying statement of revenues, expenses and changes in net position of the Public Utility Fund. Under the terms of the contract, the City is obligated to make payments for the use of the facilities for the life of the facilities. Further, revenue of the Public Utility Fund are pledged to support payments due the Authority in accordance with the terms of the contract. Such payments are considered operating expenses and, therefore, have priority over principal and interest due on revenue bonds.

State and Federal Programs

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, disallowed costs, if any, would not be material.

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. During fiscal year 2013, the City purchased commercial insurance to cover these general liabilities from the Texas Municipal League Risk Pool (“TML”). The City pays an annual premium to TML for such coverage. TML purchases reinsurance and the City does not retain the risk of losses. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

Conduit Debt Obligation

In prior years, the DeSoto Health Facilities Development Corporation, DeSoto Housing Finance Corporation and DeSoto Industrial Development Authority, Inc. issued revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of health facilities, housing facilities and industrial development projects, respectively, deemed to be in the public interest. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not recorded as liabilities in the accompanying financial statements.

A summary of outstanding conduit bonds by component unit at September 30, 2013, follows:

<u>Series</u>	<u>DeSoto Housing Finance Corporation</u>	<u>DeSoto Industrial Development Authority</u>
1998	\$ 10,805,000	\$ -
2000	-	7,050,000
2004	9,400,000	-
2008	<u>-</u>	<u>3,613,446</u>
Total	\$ <u>20,205,000</u>	\$ <u>10,663,446</u>

DEDC

As of September 30, 2013, the DEDC had approved several grants totaling approximately \$1,015,400 payable in subsequent years, to certain businesses in the City. The payments of the grants are contingent on the businesses remaining in the City.

DEDC grant commitments are scheduled as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 823,400
2015	38,400
2016	38,400
2017	38,400
2018	38,400
2019	<u>38,400</u>
Total	\$ <u>1,015,400</u>

Other Contingencies

There are other claims and pending actions incident to normal operations of the City. In the opinion of the City management and based on consultation with the City's attorney, the City's potential liability in these matters will not have a material impact on the financial statements.

12. JOINT VENTURES

The Regional Dispatch Center (the Center) provides police, fire, medical aid and emergency service communications to participating cities. The Center's Management Committee is comprised of each of the participating cities' City Manager or their designee. During fiscal year 2013, the City contributed \$856,000 to the operations of the Center. The City has a one-third share in the equity of the Center, accounted for in the government wide Statement of Net Position. The value of the City's share in the equity of the facility as of September 30, 2013, is \$811,263. The Center issues separate financial statements available from the City's Financial Department.

The City also entered into an annually renewable Interlocal Cooperation agreement with the cities of Cedar Hill and Duncanville on September 3, 1991, to establish a Regional Animal Control Shelter facility ("facility"). The facility's Management Committee is comprised of each of the participating cities' City Manager or their designee. During the fiscal year 2013, the City contributed \$220,808 to the operations of the facility. The City has a one-third share in the equity of the facility, accounted for in the government wide Statement of Net Position. The value of the City's share in the equity of the facility as of September 30, 2013, is \$364,409.

The financial statements of the facility can be obtained by contacting: City of Cedar Hill Finance Department, P. O. Box 96, Cedar Hill, TX 75106-0096.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 14,231,566	\$ 14,231,566	\$ 14,476,315	\$ 244,749
Franchise fees	2,786,000	2,786,000	2,846,979	60,979
Sales taxes	5,588,394	5,588,394	6,089,949	501,555
Mixed beverage tax	33,000	33,000	30,437	(2,563)
Fines and forfeitures	1,008,000	1,008,000	932,688	(75,312)
Licenses and permits	636,000	636,000	871,691	235,691
Intergovernmental	484,007	492,874	462,269	(30,605)
Charges for services	1,930,750	1,930,750	2,153,704	222,954
Recreation services	714,587	714,587	748,099	33,512
Investment earnings	58,485	58,485	44,793	(13,692)
Miscellaneous	115,430	115,430	144,934	29,504
Total revenues	<u>27,586,219</u>	<u>27,595,086</u>	<u>28,801,858</u>	<u>1,206,772</u>
EXPENDITURES				
Current:				
General government	1,857,614	1,860,372	1,754,094	106,278
Public safety				
Police	9,190,123	9,153,294	9,035,784	117,510
Fire	7,107,432	7,107,432	6,887,848	219,584
Development services	3,293,079	3,245,379	3,049,552	195,827
Financial services	888,994	882,494	758,810	123,684
Information technology	286,760	286,760	290,045	(3,285)
Human resources	233,329	233,329	247,092	(13,763)
Parks and leisure services	3,516,287	3,363,227	3,052,228	310,999
Public library	915,947	924,814	875,161	49,653
Non-departmental	1,276,870	1,276,870	1,423,854	(146,984)
Debt service:				
Principal	447,590	447,590	321,648	125,942
Interest and other charges	37,810	37,810	37,711	99
Capital outlay	359,300	603,389	671,300	(67,911)
Total expenditures	<u>29,411,135</u>	<u>29,422,760</u>	<u>28,405,127</u>	<u>1,017,633</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,824,916)</u>	<u>(1,827,674)</u>	<u>396,731</u>	<u>2,224,405</u>
OTHER FINANCING SOURCES (USES)				
Sale capital assets	90,000	90,000	104,052	14,052
Transfers in	2,170,309	2,170,309	1,846,730	(323,579)
Transfers out	(887,167)	(887,167)	(1,005,367)	(118,200)
Total other financing sources and uses	<u>1,373,142</u>	<u>1,373,142</u>	<u>945,415</u>	<u>(427,727)</u>
NET CHANGE IN FUND BALANCES	<u>(451,774)</u>	<u>(454,532)</u>	<u>1,342,146</u>	<u>1,796,678</u>
FUND BALANCES, BEGINNING	<u>9,294,115</u>	<u>9,294,115</u>	<u>9,294,115</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 8,842,341</u>	<u>\$ 8,839,583</u>	<u>\$ 10,636,261</u>	<u>\$ 1,796,678</u>

CITY OF DESOTO, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2013

Budgetary Information

The City follows these procedures in establishing its annual budget:

- 1) Prior to August 1, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1.
- 2) A public hearing is conducted to obtain taxpayer comments.
- 3) The budget is legally enacted by the City Council through passage of an ordinance prior to October 1.
- 4) Any revisions that alter the total budgeted expenditures of the Enterprise of Governmental Funds must be approved by the City Council.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- 6) Unused appropriations lapse at fiscal year-end and may not be carried over to the following fiscal year.
- 7) Budgeted amounts are as originally adopted or as amended by the City Council. There were no significant budgetary amendments made during fiscal year 2013.
- 8) The City Manager is authorized to adjust budget amounts; however, such revisions may not result in total budgeted expenditures (appropriations) in excess of budgeted revenues at the fund level without the approval of City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.
- 9) Budgetary statements and schedules are presented for all funds with legally adopted budgets. The Homeland Security Grant Fund, Health Facilities Development Corp. Fund, Housing Finance Corp. Fund and Industrial Development Authority Fund do not have legally adopted budgets and accordingly budget information is not presented for these funds.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2013, expenditures exceeded appropriations in the Information Technology and Human Resources Departments, as well as non-departmental and capital outlay expenditures for the General Fund by \$3,285, \$13,763, \$147,062, and \$67,911 respectively. These overexpenditures were funded by greater than anticipated revenues in the General Fund.

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CITY OF DESOTO, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION
IN TEXAS MUNICIPAL RETIREMENT SYSTEM**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
12/31/2010	\$ 70,316,875	\$ 82,701,569	85.0%	\$ 12,384,694	\$ 18,199,826	68.0%
12/31/2011	76,955,194	87,960,376	87.5%	11,005,182	18,354,272	60.0%
12/31/2012	82,747,260	91,947,943	90.0%	9,200,683	18,402,485	50.0%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The *Special Revenue Funds* are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Regional Jail – to account for restricted revenues and expenditures of the regional jail operation utilized by the cities of DeSoto and Lancaster. The facilities house arrested persons for a maximum of 72 hours.

Municipal Court Fund – to account for municipal court fees collected through the court to provide for various municipal court security features or to enhance existing operations through technology.

Police-Seized Funds – Accounts for the revenue and expenditures related to the award of monies or property by the courts or federal government to the police department. The funds are expended for specified police department purposes.

Police Grant Fund – to account for grant funding received to support police operations.

Homeland Security Grant Fund – to account for grant funding received for homeland security purposes.

Hotel Occupancy Tax Fund – to account for tax revenue collected as a percentage of gross receipts for all hotel and motel temporary room rentals within the City. The funds are expended to promote tourism and culture in the City.

Health Facilities Development Corporation – blended component unit whose purpose is to assist with the development of health care facilities for the maintenance of the public health in the City.

Housing Finance Corporation – blended component unit whose purpose is to assist with the financing of residential developments in the City.

Industrial Development Authority, Inc. – blended component unit whose purpose is to promote and develop commercial, industrial, manufacturing and medical research enterprises in the City.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities.

Parks Capital Improvement Funds – to account for the purchase and improvement of the City’s parks. Financing is provided by general obligation bonds and contributions from developers.

Public Facilities Capital Improvement Funds – to account for the construction and improvement of various City facilities. Financing is provided by general obligation bonds, certificates of obligation and various contributions.

CITY OF DESOTO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue		
	Regional Jail	Municipal Court	Police - Seized
ASSETS			
Cash and investments	\$ 344,392	\$ 304,933	\$ 52,946
Due from other governments	-	-	-
Accounts receivable	96	-	-
Total assets	\$ 344,488	\$ 304,933	\$ 52,946
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,471	\$ 428	\$ 518
Accrued liabilities	36,587	1,289	-
Due to other funds	-	-	-
Unearned revenues	-	-	11,021
Total liabilities	39,058	1,717	11,539
Fund balances:			
Restricted:			
Public safety	305,430	303,216	41,407
Economic development	-	-	-
Capital projects	-	-	-
Committed:			
Public health	-	-	-
Development	-	-	-
Assigned:			
Capital projects	-	-	-
Total fund balances	305,430	303,216	41,407
Total liabilities and fund balances	\$ 344,488	\$ 304,933	\$ 52,946

Special Revenue

<u>Police Grant</u>	<u>Homeland Security Grant</u>	<u>Hotel Occupancy</u>	<u>Health Facilities Development Corp.</u>	<u>Housing Finance Corp.</u>	<u>Industrial Development Authority</u>	<u>Total Special Revenue Funds</u>
\$ 50,294	\$ -	\$ 749,721	\$ 18,355	\$ 248,753	\$ 29,031	\$ 1,798,425
-	47,175	-	-	-	-	47,175
-	-	75,765	-	163	-	76,024
<u>\$ 50,294</u>	<u>\$ 47,175</u>	<u>\$ 825,486</u>	<u>\$ 18,355</u>	<u>\$ 248,916</u>	<u>\$ 29,031</u>	<u>\$ 1,921,624</u>
\$ 3,976	\$ 5,507	\$ 24,806	\$ -	\$ -	\$ -	\$ 37,706
-	-	-	-	-	-	37,876
-	41,668	-	-	-	-	41,668
-	-	100	-	-	-	11,121
<u>3,976</u>	<u>47,175</u>	<u>24,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,371</u>
46,318	-	-	-	-	-	696,371
-	-	800,580	-	-	-	800,580
-	-	-	-	-	-	-
-	-	-	18,355	-	-	18,355
-	-	-	-	248,916	29,031	277,947
-	-	-	-	-	-	-
<u>46,318</u>	<u>-</u>	<u>800,580</u>	<u>18,355</u>	<u>248,916</u>	<u>29,031</u>	<u>1,793,253</u>
<u>\$ 50,294</u>	<u>\$ 47,175</u>	<u>\$ 825,486</u>	<u>\$ 18,355</u>	<u>\$ 248,916</u>	<u>\$ 29,031</u>	<u>\$ 1,921,624</u>

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CITY OF DESOTO, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	Capital Projects			
	Parks Capital Improvement	Public Facilities Capital Improvement	Total Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 83,640	\$ 637,842	\$ 721,482	\$ 2,519,907
Due from other governments	-	-	-	47,175
Accounts receivable	-	-	-	76,024
Total assets	\$ 83,640	\$ 637,842	\$ 721,482	\$ 2,643,106
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 157,830	\$ 157,830	\$ 195,536
Accrued liabilities	-	-	-	37,876
Due to other funds	-	-	-	41,668
Unearned revenues	-	-	-	11,121
Total liabilities	-	157,830	157,830	286,201
Fund balances:				
Restricted:				
Public safety	-	-	-	696,371
Economic development	-	-	-	800,580
Capital projects	-	35,248	35,248	35,248
Committed:				
Public health	-	-	-	18,355
Development	-	-	-	277,947
Assigned:				
Capital projects	83,640	444,764	528,404	528,404
Total fund balances	83,640	480,012	563,652	2,356,905
Total liabilities and fund balances	\$ 83,640	\$ 637,842	\$ 721,482	\$ 2,643,106

CITY OF DESOTO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue		
	Regional Jail	Municipal Court	Police - Seized
REVENUES			
Hotel occupancy tax	\$ -	\$ -	\$ -
Fines and forfeitures	-	65,724	-
Intergovernmental	541,768	-	50,889
Charges for services	32,686	-	-
Investment earnings	720	712	106
Miscellaneous	<u>1,346</u>	<u>-</u>	<u>-</u>
Total revenues	<u>576,520</u>	<u>66,436</u>	<u>50,995</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety:			
Police	841,087	-	30,306
Fire	-	-	-
Development services	-	-	-
Financial services	-	74,956	-
Parks and leisure services	-	-	-
Capital outlay	<u>5,000</u>	<u>14,576</u>	<u>-</u>
Total expenditures	<u>846,087</u>	<u>89,532</u>	<u>30,306</u>
EXPENDITURES (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(269,567)</u>	<u>(23,096)</u>	<u>20,689</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	270,884	-	-
Transfers out	<u>(151)</u>	<u>(10,448)</u>	<u>-</u>
Total other financing sources and uses	<u>270,733</u>	<u>(10,448)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,166	(33,544)	20,689
FUND BALANCES, BEGINNING	<u>304,264</u>	<u>336,760</u>	<u>20,718</u>
FUND BALANCES, ENDING	<u>\$ 305,430</u>	<u>\$ 303,216</u>	<u>\$ 41,407</u>

Special Revenue

Police Grant	Homeland Security Grant	Hotel Occupancy	Health Facilities Development Corp.	Housing Finance Corp.	Industrial Development Authority	Total Special Revenue Funds
\$ -	\$ -	\$ 725,382	\$ -	\$ -	\$ -	\$ 725,382
-	-	-	-	-	-	65,724
7,891	101,310	-	-	-	-	701,858
-	-	2,881	-	-	-	35,567
-	-	1,813	23	409	36	3,819
-	-	211	-	144,901	-	146,458
<u>7,891</u>	<u>101,310</u>	<u>730,287</u>	<u>23</u>	<u>145,310</u>	<u>36</u>	<u>1,678,808</u>
-	-	347,296	20	19,407	21	366,744
18,259	57,949	-	-	-	-	947,601
-	46,363	-	-	-	-	46,363
-	-	-	-	-	-	-
-	-	-	-	-	-	74,956
-	-	24,842	-	-	-	24,842
-	7,045	-	-	-	-	26,621
<u>18,259</u>	<u>111,357</u>	<u>372,138</u>	<u>20</u>	<u>19,407</u>	<u>21</u>	<u>1,487,127</u>
(10,368)	(10,047)	358,149	3	125,903	15	191,681
-	-	-	-	-	-	270,884
-	-	(109,920)	-	-	-	(120,519)
-	-	(109,920)	-	-	-	150,365
(10,368)	(10,047)	248,229	3	125,903	15	342,046
<u>56,686</u>	<u>10,047</u>	<u>552,351</u>	<u>18,352</u>	<u>123,013</u>	<u>29,016</u>	<u>1,451,207</u>
<u>\$ 46,318</u>	<u>\$ -</u>	<u>\$ 800,580</u>	<u>\$ 18,355</u>	<u>\$ 248,916</u>	<u>\$ 29,031</u>	<u>\$ 1,793,253</u>

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CITY OF DESOTO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Capital Projects			Total Nonmajor Governmental Funds
	Parks Capital Improvement	Public Facilities Capital Improvement	Total Capital Project Funds	
REVENUES				
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ 725,382
Fines and forfeitures	-	-	-	65,724
Intergovernmental	-	376,468	376,468	1,078,326
Charges for services	-	-	-	35,567
Investment earnings	215	1,367	1,582	5,401
Miscellaneous	-	-	-	146,458
Total revenues	215	377,835	378,050	2,056,858
EXPENDITURES				
Current:				
General government	-	-	-	366,744
Public safety:				
Police	-	-	-	947,601
Fire	-	-	-	46,363
Development services	-	360	360	360
Financial services	-	-	-	74,956
Parks and leisure services	-	-	-	24,842
Capital outlay	-	664,363	664,363	690,984
Total Expenditures	-	664,723	664,723	2,151,850
EXPENDITURES (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	215	(286,888)	(286,673)	(94,992)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	164,500	164,500	435,384
Transfers out	(79,104)	-	(79,104)	(199,623)
Total other financing sources and uses	(79,104)	164,500	85,396	235,761
NET CHANGE IN FUND BALANCES	(78,889)	(122,388)	(201,277)	140,769
FUND BALANCES, BEGINNING	162,529	602,400	764,929	2,216,136
FUND BALANCES, ENDING	\$ 83,640	\$ 480,012	\$ 563,652	\$ 2,356,905

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DEBT SERVICE

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CITY OF DESOTO, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 6,846,880	\$ 6,846,880	\$ 6,671,119	\$(175,761)
Intergovernmental	296,858	296,858	327,163	30,305
Investment earnings	<u>5,500</u>	<u>5,500</u>	<u>4,992</u>	<u>(508)</u>
Total revenues	<u>7,149,238</u>	<u>7,149,238</u>	<u>7,003,274</u>	<u>(145,964)</u>
EXPENDITURES				
Debt service:				
Principal	4,843,265	4,843,265	5,281,139	(437,874)
Interest and other charges	2,813,199	2,813,199	2,878,077	(64,878)
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>11,161,123</u>	<u>(11,161,123)</u>
Total expenditures	<u>7,656,464</u>	<u>7,656,464</u>	<u>19,320,339</u>	<u>(11,663,875)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(507,226)</u>	<u>(507,226)</u>	<u>(12,317,065)</u>	<u>(11,809,839)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	10,375,000	10,375,000
Premium on issuance of bonds	-	-	733,159	733,159
Transfers in	<u>145,214</u>	<u>145,214</u>	<u>1,260,314</u>	<u>1,115,100</u>
Total other financing sources and uses	<u>145,214</u>	<u>145,214</u>	<u>12,368,473</u>	<u>12,223,259</u>
NET CHANGE IN FUND BALANCE	(362,012)	(362,012)	51,408	413,420
FUND BALANCE, BEGINNING	<u>1,603,729</u>	<u>1,603,729</u>	<u>1,603,729</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,241,717</u>	<u>\$ 1,241,717</u>	<u>\$ 1,655,137</u>	<u>\$ 413,420</u>

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**STREET
IMPROVEMENT FUND**

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CITY OF DESOTO, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

STREET IMPROVEMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 30,000	\$ 30,000	\$ -	\$(30,000)
Investment earnings	<u>8,500</u>	<u>8,500</u>	<u>18,991</u>	<u>10,491</u>
Total revenues	<u>38,500</u>	<u>38,500</u>	<u>18,991</u>	<u>(19,509)</u>
EXPENDITURES				
Current:				
Development services	-	1,300,000	53,874	1,246,126
Capital outlay	<u>4,070,000</u>	<u>4,148,713</u>	<u>2,023,827</u>	<u>2,124,886</u>
Total expenditures	<u>4,070,000</u>	<u>5,448,713</u>	<u>2,077,701</u>	<u>3,371,012</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,031,500)</u>	<u>(5,410,213)</u>	<u>(2,058,710)</u>	<u>3,351,503</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	534,689	1,834,689	534,689	(1,300,000)
Transfers out	<u>-</u>	<u>-</u>	<u>(1,035,996)</u>	<u>(1,035,996)</u>
Total other financing sources and uses	<u>534,689</u>	<u>1,834,689</u>	<u>(501,307)</u>	<u>(2,335,996)</u>
NET CHANGE IN FUND BALANCE	<u>(3,496,811)</u>	<u>(3,575,524)</u>	<u>(2,560,017)</u>	1,015,507
FUND BALANCE, BEGINNING	<u>8,469,546</u>	<u>8,469,546</u>	<u>8,469,546</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 4,972,735</u>	<u>\$ 4,894,022</u>	<u>\$ 5,909,529</u>	<u>\$ 1,015,507</u>

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SPECIAL REVENUE FUNDS

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CITY OF DESOTO, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

REGIONAL JAIL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	\$ 541,768	\$ 541,768	\$ 541,768	\$ -
Charges for services	34,000	34,000	32,686	(1,314)
Investment earnings	450	450	720	270
Miscellaneous	<u>480</u>	<u>480</u>	<u>1,346</u>	<u>866</u>
Total revenues	<u>576,698</u>	<u>576,698</u>	<u>576,520</u>	<u>(178)</u>
EXPENDITURES				
Current:				
Public safety - police	843,736	838,736	841,087	(2,351)
Capital outlay	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total expenditures	<u>843,736</u>	<u>843,736</u>	<u>846,087</u>	<u>(2,351)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(267,038)</u>	<u>(267,038)</u>	<u>(269,567)</u>	<u>(2,529)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	270,884	270,884	270,884	-
Transfers out	<u>-</u>	<u>-</u>	<u>(151)</u>	<u>(151)</u>
Total other financing sources and uses	<u>270,884</u>	<u>270,884</u>	<u>270,733</u>	<u>(151)</u>
NET CHANGE IN FUND BALANCE	3,846	3,846	1,166	(2,680)
FUND BALANCE, BEGINNING	<u>304,264</u>	<u>304,264</u>	<u>304,264</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 308,110</u>	<u>\$ 308,110</u>	<u>\$ 305,430</u>	<u>\$ (2,680)</u>

CITY OF DESOTO, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

MUNICIPAL COURT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	(Negative)
REVENUES				
Fines and forfeitures	\$ 75,000	\$ 75,000	\$ 65,724	\$(9,276)
Investment earnings	500	500	712	212
Total revenues	<u>75,500</u>	<u>75,500</u>	<u>66,436</u>	<u>(9,064)</u>
EXPENDITURES				
Current:				
Financial services	62,628	70,628	74,956	(4,328)
Capital outlay	<u>35,000</u>	<u>27,000</u>	<u>14,576</u>	<u>12,424</u>
Total expenditures	<u>97,628</u>	<u>97,628</u>	<u>89,532</u>	<u>8,096</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(22,128)	(22,128)	(23,096)	(968)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,448)</u>	<u>(448)</u>
Total other financing sources and uses	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,448)</u>	<u>(448)</u>
NET CHANGE IN FUND BALANCE	(32,128)	(32,128)	(33,544)	(1,416)
FUND BALANCE, BEGINNING	<u>336,760</u>	<u>336,760</u>	<u>336,760</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 314,632</u>	<u>\$ 314,632</u>	<u>\$ 303,216</u>	<u>\$(1,416)</u>

CITY OF DESOTO, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

POLICE - SEIZED FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 50,889	\$(29,111)
Investment earnings	400	400	106	(294)
Total revenues	80,400	80,400	50,995	(29,405)
EXPENDITURES				
Current:				
Public safety:				
Police	80,000	80,000	30,306	49,694
Total expenditures	80,000	80,000	30,306	49,694
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	400	400	20,689	20,289
FUND BALANCE, BEGINNING	20,718	20,718	20,718	-
FUND BALANCE, ENDING	\$ 21,118	\$ 21,118	\$ 41,407	\$ 20,289

CITY OF DESOTO, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

POLICE GRANT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,891	\$ 7,891	\$ 7,891	\$ -
Total revenues	<u>7,891</u>	<u>7,891</u>	<u>7,891</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety:				
Police	<u>8,230</u>	<u>8,230</u>	<u>18,259</u>	<u>(10,029)</u>
Total expenditures	<u>8,230</u>	<u>8,230</u>	<u>18,259</u>	<u>(10,029)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(339)	(339)	(10,368)	10,029
FUND BALANCE, BEGINNING	<u>56,686</u>	<u>56,686</u>	<u>56,686</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 56,347</u>	<u>\$ 56,347</u>	<u>\$ 46,318</u>	<u>\$ 10,029</u>

CITY OF DESOTO, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

HOTEL OCCUPANCY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Hotel occupancy tax	\$ 550,000	\$ 550,000	\$ 725,382	\$ 175,382
Charges for services	-	-	2,881	2,881
Investment earnings	500	500	1,813	1,313
Miscellaneous	-	-	211	211
Total revenues	<u>550,500</u>	<u>550,500</u>	<u>730,287</u>	<u>179,787</u>
EXPENDITURES				
Current:				
General government	462,192	432,192	347,296	84,896
Parks and leisure services	-	30,000	24,842	5,158
Total expenditures	<u>462,192</u>	<u>462,192</u>	<u>372,138</u>	<u>90,054</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>88,308</u>	<u>88,308</u>	<u>358,149</u>	<u>89,733</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(109,920)	(109,920)	(109,920)	-
Total other financing sources and uses	<u>(109,920)</u>	<u>(109,920)</u>	<u>(109,920)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(21,612)	(21,612)	248,229	89,733
FUND BALANCE, BEGINNING	<u>552,351</u>	<u>552,351</u>	<u>552,351</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 530,739</u>	<u>\$ 530,739</u>	<u>\$ 800,580</u>	<u>\$ 89,733</u>

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**CAPITAL
PROJECTS FUNDS**

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CITY OF DESOTO, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

PARKS CAPITAL IMPROVEMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 300	\$ 300	\$ 215	\$(85)
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total revenues	<u>10,300</u>	<u>10,300</u>	<u>215</u>	<u>(10,085)</u>
EXPENDITURES				
Capital outlay	<u>56,825</u>	<u>56,825</u>	<u>-</u>	<u>56,825</u>
Total expenditures	<u>56,825</u>	<u>56,825</u>	<u>-</u>	<u>56,825</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(46,525)	(46,525)	215	46,740
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(79,104)</u>	<u>(79,104)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(79,104)</u>	<u>(79,104)</u>
NET CHANGE IN FUND BALANCE	(46,525)	(46,525)	(78,889)	(32,364)
FUND BALANCE, BEGINNING	<u>162,529</u>	<u>162,529</u>	<u>162,529</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 116,004</u>	<u>\$ 116,004</u>	<u>\$ 83,640</u>	<u>\$(32,364)</u>

CITY OF DESOTO, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

PUBLIC FACILITIES CAPITAL IMPROVEMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 251,468	\$ 376,468	\$ 125,000
Investment earnings	-	-	1,367	1,367
Total revenues	<u>-</u>	<u>251,468</u>	<u>377,835</u>	<u>126,367</u>
EXPENDITURES				
Current:				
Development services	-	-	360	(360)
Capital outlay	<u>300,000</u>	<u>718,897</u>	<u>664,363</u>	<u>54,534</u>
Total expenditures	<u>300,000</u>	<u>718,897</u>	<u>664,723</u>	<u>54,174</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(300,000)</u>	<u>(467,429)</u>	<u>(286,888)</u>	<u>180,541</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>164,500</u>	<u>114,500</u>
Total other financing sources and uses	<u>50,000</u>	<u>50,000</u>	<u>164,500</u>	<u>114,500</u>
NET CHANGE IN FUND BALANCE	<u>(250,000)</u>	<u>(417,429)</u>	<u>(122,388)</u>	<u>295,041</u>
FUND BALANCE, BEGINNING	<u>602,400</u>	<u>602,400</u>	<u>602,400</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 352,400</u>	<u>\$ 184,971</u>	<u>\$ 480,012</u>	<u>\$ 295,041</u>

AGENCY FUND

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CITY OF DESOTO, TEXAS

**STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013
<u>SOUTHWEST REGIONAL COMMUNICATIONS CENTER</u>				
Assets:				
Cash and investments	\$ <u>545,199</u>	\$ <u>2,874,345</u>	\$ <u>2,669,251</u>	\$ <u>750,293</u>
Total assets	\$ <u>545,199</u>	\$ <u>2,874,345</u>	\$ <u>2,669,251</u>	\$ <u>750,293</u>
Liabilities:				
Due to Southwest Regional Communications Center	\$ <u>545,199</u>	\$ <u>2,874,345</u>	\$ <u>2,669,251</u>	\$ <u>750,293</u>
Total liabilities	\$ <u>545,199</u>	\$ <u>2,874,345</u>	\$ <u>2,669,251</u>	\$ <u>750,293</u>

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**DESOTO PARK
DEVELOPMENT CORPORATION**
(Discretely Presented Component Unit)

DESOTO PARK DEVELOPMENT CORPORATION

BALANCE SHEET

COMPONENT UNIT

SEPTEMBER 30, 2013

ASSETS

Cash and investments	\$ 452,469
Taxes receivable	92,097
Due from primary government	<u>21,666</u>
Total assets	<u>\$ 566,232</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ <u>2,185</u>
Total liabilities	<u>2,185</u>
Fund balance:	
Restricted for park and park facilities projects	<u>564,047</u>
Total fund balance	<u>564,047</u>
Total liabilities and fund balance	<u>\$ 566,232</u>

DESOTO PARK DEVELOPMENT CORPORATION
RECONCILIATION OF THE COMPONENT UNIT BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Total fund balance - component unit \$ 564,047

Amounts reported for the component unit in the Statement of Net Position are different because:

Capital assets used in the component unit are not current financial resources and therefore are not reported in this fund financial statement. These consist of :

Land	\$	11,250	
Improvements other than buildings		5,324,530	
Accumulated depreciation		<u>(2,723,151)</u>	
			2,612,629

Some liabilities, are not due and payable in the current period and are not included in the fund financial statement. These liabilities consist of:

Accrued interest	(14,831)	
Long-term debt		<u>(3,175,000)</u>	
			<u>(3,189,831)</u>

Net position of component unit \$(13,155)

DESOTO PARK DEVELOPMENT CORPORATION

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

COMPONENT UNIT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

REVENUES

Sales taxes	\$ 507,496
Investment earnings	<u>1,068</u>
Total revenues	<u>508,564</u>

EXPENDITURES

Current:	
Parks and leisure services	125,000
Debt service:	
Principal	325,000
Interest and other charges	<u>127,543</u>
Total expenditures	<u>577,543</u>

NET CHANGE IN FUND BALANCE (68,979)

FUND BALANCE, BEGINNING 633,026

FUND BALANCE, ENDING \$ 564,047

DESOTO PARK DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
OF COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balance - component unit:	\$(68,979)
Amounts reported for the component unit in the Statement of Activities are different because:	
The component unit reports outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation in the current period.	
	(150,707)
The component unit reports bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. The component unit fund reports repayment of bond principal as an expenditure. In contrast, the Statement of Net Position shows this as a reduction of long-term liabilities.	
Repayment of principal on long-term debt	325,000
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest	<u>1,006</u>
Change in net position of component unit	<u>\$ 106,320</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of DeSoto’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents	Page
Financial Trends.....	80 – 92
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	93 – 97
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
Debt Capacity.....	98 – 101
These schedules present information to help the reader assess the affordability of the City’s current levels of ourstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	102 – 104
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
Operating Information.....	105 – 107
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the government provides and the activities it performs.	

CITY OF DESOTO, TEXAS

**NET POSITION BY COMPONENT
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
Net investment in capital assets	\$ 70,653,054	\$ 72,273,595	\$ 72,469,145	\$ 82,336,139
Restricted	3,735,804	3,632,028	8,641,086	2,723,392
Unrestricted	<u>1,541,787</u>	<u>5,775,203</u>	<u>8,680,251</u>	<u>9,085,126</u>
Total governmental activities net position	<u>\$ 75,930,645</u>	<u>\$ 81,680,826</u>	<u>\$ 89,790,482</u>	<u>\$ 94,144,657</u>
Business-type activities:				
Net investment in capital assets	\$ 40,854,522	\$ 45,250,643	\$ 51,541,923	\$ 58,520,397
Unrestricted	<u>8,908,479</u>	<u>8,284,326</u>	<u>10,045,425</u>	<u>5,215,673</u>
Total business-type activities net position	<u>\$ 49,763,001</u>	<u>\$ 53,534,969</u>	<u>\$ 61,587,348</u>	<u>\$ 63,736,070</u>
Primary government:				
Net investment in capital assets	\$ 111,507,576	\$ 117,524,238	\$ 124,011,068	\$ 140,856,536
Restricted	3,735,804	3,632,028	8,641,086	2,723,392
Unrestricted	<u>10,450,266</u>	<u>14,059,529</u>	<u>18,725,676</u>	<u>14,300,799</u>
Total primary government net position	<u>\$ 125,693,646</u>	<u>\$ 135,215,795</u>	<u>\$ 151,377,830</u>	<u>\$ 157,880,727</u>

TABLE 1

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 83,437,503	\$ 88,778,833	\$ 82,952,006	\$ 83,839,278	\$ 85,553,558	\$ 85,681,327
2,912,353	3,407,347	1,727,639	2,629,370	2,762,778	2,497,466
<u>10,599,124</u>	<u>7,458,927</u>	<u>12,761,912</u>	<u>9,708,413</u>	<u>9,830,512</u>	<u>9,158,113</u>
<u>\$ 96,948,980</u>	<u>\$ 99,645,107</u>	<u>\$ 97,441,557</u>	<u>\$ 96,177,061</u>	<u>\$ 98,146,848</u>	<u>\$ 97,336,906</u>
\$ 59,931,665	\$ 53,525,260	\$ 59,668,820	\$ 46,444,456	\$ 57,708,884	\$ 55,777,822
<u>6,611,738</u>	<u>12,276,723</u>	<u>6,493,872</u>	<u>21,617,015</u>	<u>10,933,100</u>	<u>13,095,617</u>
<u>\$ 66,543,403</u>	<u>\$ 65,801,983</u>	<u>\$ 66,162,692</u>	<u>\$ 68,061,471</u>	<u>\$ 68,641,984</u>	<u>\$ 68,873,439</u>
\$ 143,369,168	\$ 142,304,093	\$ 142,620,826	\$ 130,283,734	\$ 143,262,442	\$ 141,459,149
2,912,353	3,407,347	1,727,639	2,629,370	2,762,778	2,497,466
<u>17,210,862</u>	<u>19,735,650</u>	<u>19,255,784</u>	<u>31,325,428</u>	<u>20,763,612</u>	<u>22,253,730</u>
<u>\$ 163,492,383</u>	<u>\$ 165,447,090</u>	<u>\$ 163,604,249</u>	<u>\$ 164,238,532</u>	<u>\$ 166,788,832</u>	<u>\$ 166,210,345</u>

CITY OF DESOTO, TEXAS
CHANGES IN NET POSITION
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

LAST TEN FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
EXPENSES				
Governmental activities:				
General government	\$ 2,462,626	\$ 3,015,728	\$ 3,680,576	\$ 5,116,336
Public safety	12,867,055	13,303,331	14,206,475	15,368,212
Development services	6,158,295	6,237,838	6,657,838	8,389,388
Financial services	1,190,736	1,247,847	1,208,137	1,192,832
Information technology	522,981	535,177	569,664	602,759
Human resources	260,880	318,279	310,097	336,085
Parks and leisure services	2,811,670	3,169,717	4,198,907	3,262,673
Library services	707,025	709,381	761,034	847,492
Interest on long-term debt	3,243,056	3,067,496	3,262,049	3,363,716
Total governmental activities expenses	<u>30,224,324</u>	<u>31,604,794</u>	<u>34,854,777</u>	<u>38,479,493</u>
Business-type activities:				
Public utility	10,680,755	11,127,247	12,034,001	12,185,402
Drainage	476,515	545,047	775,309	803,044
Sanitation	2,394,357	2,566,594	2,641,575	2,916,041
Total business-type activities expenses	<u>13,551,627</u>	<u>14,238,888</u>	<u>15,450,885</u>	<u>15,904,487</u>
Total primary government program expenses	<u>\$ 43,775,951</u>	<u>\$ 45,843,682</u>	<u>\$ 50,305,662</u>	<u>\$ 54,383,980</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General administration	\$ 1,639,957	\$ 1,649,883	\$ 1,604,188	\$ 1,619,187
Public safety	2,473,235	2,831,249	2,823,888	3,354,155
Development services	1,071,045	1,121,560	940,001	1,086,307
Parks and leisure services	394,195	551,543	726,053	709,537
Library services	36,034	40,966	45,753	45,023
Financial services	-	3,150	4,749	-
Operating grants and contributions	587,439	1,093,302	1,462,364	896,598
Capital grants and contributions	2,178,920	3,822,649	5,157,461	2,040,813
Total governmental activities program revenues	<u>8,380,825</u>	<u>11,114,302</u>	<u>12,764,457</u>	<u>9,751,620</u>
Business-type activities:				
Charges for services:				
Water and wastewater	12,033,005	12,565,490	16,350,648	12,579,614
Drainage	1,092,471	1,284,077	1,235,750	1,389,414
Sanitation	2,607,559	2,811,408	2,772,209	3,029,504
Capital grants and contributions	-	2,033,231	4,281,581	2,399,780
Total business-type activities program revenues	<u>15,733,035</u>	<u>18,694,206</u>	<u>24,640,188</u>	<u>19,398,312</u>
Total primary government program revenues	<u>\$ 24,113,860</u>	<u>\$ 29,808,508</u>	<u>\$ 37,404,645</u>	<u>\$ 29,149,932</u>

TABLE 2

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 5,770,984	\$ 3,827,242	\$ 4,845,547	\$ 5,217,799	\$ 4,562,337	\$ 4,054,193
15,173,881	17,402,007	17,889,132	17,578,307	17,491,146	17,789,694
7,927,578	7,523,025	8,109,041	7,788,666	7,312,154	8,878,903
1,258,242	777,635	884,724	855,547	926,892	948,756
600,339	328,417	294,032	294,197	280,360	306,289
369,265	213,452	171,664	139,935	197,978	246,211
3,532,927	3,162,068	3,683,752	3,584,536	3,844,791	3,487,589
876,249	933,378	949,520	896,501	890,239	892,249
<u>3,970,451</u>	<u>3,939,305</u>	<u>3,557,515</u>	<u>3,423,048</u>	<u>3,391,573</u>	<u>2,634,793</u>
<u>39,479,916</u>	<u>38,106,529</u>	<u>40,384,927</u>	<u>39,778,536</u>	<u>38,897,470</u>	<u>39,238,677</u>
12,656,844	12,611,568	12,697,975	13,452,042	14,097,518	14,061,689
1,042,256	1,187,708	1,209,603	1,282,892	1,427,820	1,970,730
<u>3,064,111</u>	<u>2,889,531</u>	<u>2,935,666</u>	<u>2,957,452</u>	<u>3,246,026</u>	<u>3,695,159</u>
<u>16,763,211</u>	<u>16,688,807</u>	<u>16,843,244</u>	<u>17,692,386</u>	<u>18,771,364</u>	<u>19,727,578</u>
<u>\$ 56,243,127</u>	<u>\$ 54,795,336</u>	<u>\$ 57,228,171</u>	<u>\$ 57,470,922</u>	<u>\$ 57,668,834</u>	<u>\$ 58,966,255</u>
\$ 1,698,725	\$ 989,675	\$ 329,150	\$ 226,158	\$ 365,815	\$ 618,605
2,851,576	3,593,925	2,518,011	2,459,939	2,865,010	3,024,624
645,532	448,877	575,242	795,377	823,229	871,691
717,569	834,057	756,356	864,197	813,009	768,546
47,864	51,333	61,406	64,841	62,601	63,068
-	518	-	-	-	-
842,032	1,088,561	1,684,707	926,017	1,254,754	1,040,029
<u>1,765,753</u>	<u>23,696</u>	<u>338,964</u>	<u>402,804</u>	<u>2,450,162</u>	<u>376,468</u>
<u>8,569,051</u>	<u>7,030,642</u>	<u>6,263,836</u>	<u>5,739,333</u>	<u>8,634,580</u>	<u>6,763,031</u>
13,808,696	14,036,444	14,155,822	16,680,611	16,138,436	16,532,417
1,497,912	1,447,012	1,463,866	1,472,674	1,458,904	1,488,332
3,296,873	2,880,996	3,199,311	3,244,899	3,428,857	3,848,776
<u>1,512,223</u>	<u>104,877</u>	<u>35,571</u>	<u>158,865</u>	<u>15,000</u>	<u>137,750</u>
<u>20,115,704</u>	<u>18,469,329</u>	<u>18,854,570</u>	<u>21,557,049</u>	<u>21,041,197</u>	<u>22,007,275</u>
<u>\$ 28,684,755</u>	<u>\$ 25,499,971</u>	<u>\$ 25,118,406</u>	<u>\$ 27,296,382</u>	<u>\$ 29,675,777</u>	<u>\$ 28,770,306</u>

CITY OF DESOTO, TEXAS
CHANGES IN NET POSITION
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

LAST TEN FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
NET (EXPENSE) REVENUES				
Governmental activities	\$(21,843,499)	\$(20,490,492)	\$(22,090,320)	\$(28,727,873)
Business-type activities	<u>2,181,408</u>	<u>4,455,318</u>	<u>9,189,303</u>	<u>3,493,825</u>
Total primary government net expense	<u>(19,662,091)</u>	<u>(16,035,174)</u>	<u>(12,901,017)</u>	<u>(25,234,048)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property	15,915,124	16,971,307	18,748,137	20,479,714
Other	7,888,477	7,994,954	8,944,583	8,968,049
Interest income	175,044	523,957	1,259,291	1,857,677
Gain (loss) on sales of assets	-	178,272	-	-
Other	341,489	-	-	-
Transfers	<u>596,064</u>	<u>572,183</u>	<u>1,487,965</u>	<u>1,708,085</u>
Total governmental activities	<u>24,916,198</u>	<u>26,240,673</u>	<u>30,439,976</u>	<u>33,013,525</u>
Business-type activities:				
Interest income	84,368	186,284	351,041	362,982
Gain (loss) on sales of assets	-	(37,461)	-	-
Other	-	-	-	-
Transfers	<u>(596,064)</u>	<u>(572,183)</u>	<u>(1,487,965)</u>	<u>(1,708,085)</u>
Total business-type activities	<u>(511,696)</u>	<u>(423,360)</u>	<u>(1,136,924)</u>	<u>(1,345,103)</u>
Total primary government	<u>24,404,502</u>	<u>25,817,313</u>	<u>29,303,052</u>	<u>31,668,422</u>
CHANGE IN NET POSITION				
Governmental activities	3,072,699	5,750,181	8,349,656	4,285,652
Business-type activities	<u>1,669,712</u>	<u>4,031,958</u>	<u>8,052,379</u>	<u>2,148,722</u>
Total primary government	<u>\$ 4,742,411</u>	<u>\$ 9,782,139</u>	<u>\$ 16,402,035</u>	<u>\$ 6,434,374</u>

TABLE 2

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$(30,910,865)	\$(31,075,887)	\$(34,121,091)	\$(34,039,203)	\$(30,262,890)	\$(32,475,646)
<u>3,352,493</u>	<u>1,780,522</u>	<u>2,011,326</u>	<u>3,864,663</u>	<u>2,269,833</u>	<u>2,279,697</u>
<u>(27,558,372)</u>	<u>(29,295,365)</u>	<u>(32,109,765)</u>	<u>(30,174,540)</u>	<u>(27,993,057)</u>	<u>(30,195,949)</u>
22,051,523	21,562,536	20,998,395	21,392,377	20,673,781	21,165,572
9,535,661	8,628,339	8,899,286	9,042,389	9,498,834	9,692,747
1,434,605	314,323	42,494	83,020	70,204	74,177
-	-	89,604	-	-	75,459
-	-	118,710	262,238	254,756	132,143
<u>693,399</u>	<u>1,278,553</u>	<u>1,769,052</u>	<u>1,651,170</u>	<u>1,735,102</u>	<u>1,836,131</u>
<u>33,715,188</u>	<u>31,783,751</u>	<u>31,917,541</u>	<u>32,431,194</u>	<u>32,232,677</u>	<u>32,976,229</u>
148,239	55,674	31,429	28,799	45,782	68,425
-	-	-	-	-	-
-	30,208	87,006	-	-	-
<u>(693,399)</u>	<u>(1,278,553)</u>	<u>(1,769,052)</u>	<u>(1,651,170)</u>	<u>(1,735,102)</u>	<u>(1,836,131)</u>
<u>(545,160)</u>	<u>(1,192,671)</u>	<u>(1,650,617)</u>	<u>(1,622,371)</u>	<u>(1,689,320)</u>	<u>(1,767,706)</u>
<u>33,170,028</u>	<u>30,591,080</u>	<u>30,266,924</u>	<u>30,808,823</u>	<u>30,543,357</u>	<u>31,208,523</u>
2,804,323	707,864	(2,203,550)	(1,608,009)	1,969,787	500,583
<u>2,807,333</u>	<u>587,851</u>	<u>360,709</u>	<u>2,242,292</u>	<u>580,513</u>	<u>511,991</u>
<u>\$ 5,611,656</u>	<u>\$ 1,295,715</u>	<u>\$(1,842,841)</u>	<u>\$ 634,283</u>	<u>\$ 2,550,300</u>	<u>\$ 1,012,574</u>

CITY OF DESOTO, TEXAS

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes	Sales Tax	Franchise Tax	Other Taxes	Total
2004	\$ 15,915,124	\$ 4,479,320	\$ 3,182,732	\$ 226,425	\$ 23,803,601
2005	16,971,307	4,499,908	3,250,555	244,491	24,966,261
2006	18,748,137	4,680,468	3,848,098	416,017	27,692,720
2007	20,479,714	5,314,550	3,394,651	258,848	29,447,763
2008	22,051,523	5,802,926	3,336,906	395,829	31,587,184
2009	21,562,536	5,028,838	3,129,287	470,214	30,190,875
2010	20,998,395	5,532,796	2,794,521	571,969	29,897,681
2011	21,392,377	5,409,524	2,998,791	634,074	30,434,766
2012	20,673,781	5,929,029	2,835,277	734,528	30,172,615
2013	21,165,572	6,089,949	2,846,979	755,819	30,858,319

TABLE 4

CITY OF DESOTO, TEXAS
FUND BALANCES
GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 52,164	\$ 268,351	\$ 36,619	\$ 34,432	\$ 46,495	\$ 454,274	\$ 221,638	\$ -	\$ -	\$ -
Unreserved	5,171,857	6,255,230	7,066,881	6,780,425	6,853,977	7,157,520	6,964,196	-	-	-
Nonspendable:										
Inventories	-	-	-	-	-	-	-	39,331	52,881	45,363
Assigned:										
Subsequent year's budget	-	-	-	-	-	-	-	528,025	557,178	-
Unassigned	-	-	-	-	-	-	-	7,967,759	8,684,056	10,590,898
Total general fund	<u>\$ 5,224,021</u>	<u>\$ 6,523,581</u>	<u>\$ 7,103,500</u>	<u>\$ 6,814,857</u>	<u>\$ 6,900,472</u>	<u>\$ 7,611,794</u>	<u>\$ 7,185,834</u>	<u>\$ 8,535,115</u>	<u>\$ 9,294,115</u>	<u>\$ 10,636,261</u>
All other governmental funds										
Reserved	\$ 8,664,063	\$ 13,633,702	\$ 18,715,559	\$ 28,452,022	\$ 22,030,806	\$ 21,282,353	\$ 18,072,628	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	20,261	(147,372)	(155,816)	(267,389)	(296,834)	(375,719)	-	-	-
Nonspendable:										
Note receivable	-	-	-	-	-	-	-	212,025	161,673	109,005
Restricted:										
Debt service	-	-	-	-	-	-	-	1,450,009	1,603,729	1,655,137
Street improvements	-	-	-	-	-	-	-	9,080,205	7,480,942	5,684,787
Public safety	-	-	-	-	-	-	-	679,910	728,475	696,371
Economic development	-	-	-	-	-	-	-	558,547	552,351	800,580
Culture and recreation	-	-	-	-	-	-	-	617	-	-
Capital projects	-	-	-	-	-	-	-	1,327,888	35,248	35,248
Committed:										
Public health	-	-	-	-	-	-	-	18,323	18,352	18,355
Development	-	-	-	-	-	-	-	150,081	152,029	277,947
Assigned:										
Street improvements	-	-	-	-	-	-	-	1,387,953	826,931	115,737
Capital projects	-	-	-	-	-	-	-	-	729,681	528,404
Total all other governmental funds	<u>\$ 8,664,063</u>	<u>\$ 13,653,963</u>	<u>\$ 18,568,187</u>	<u>\$ 28,296,206</u>	<u>\$ 21,763,417</u>	<u>\$ 20,985,519</u>	<u>\$ 17,696,909</u>	<u>\$ 14,865,558</u>	<u>\$ 12,289,411</u>	<u>\$ 9,921,571</u>

Note: The City implemented GASB Statement No. 54 in fiscal year 2011.

CITY OF DESOTO, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2004	2005	2006	2007
REVENUES				
Taxes	\$ 23,860,427	\$ 24,817,538	\$ 27,492,407	\$ 29,326,330
Assessments	182,124	144,900	254,725	73,875
Charges for services	1,107,287	1,487,348	1,766,040	1,819,581
Recreation	190,640	239,278	243,027	229,686
Licenses and permits	1,118,793	1,176,461	1,040,754	1,174,424
Fines and forfeitures	917,481	1,011,588	1,110,188	1,153,583
Interest	175,044	523,957	1,259,291	1,857,677
Intergovernmental	573,336	991,055	1,338,761	900,669
Administrative	1,487,825	1,487,825	1,487,825	1,546,945
Other	886,443	858,620	1,603,733	615,677
Total revenues	<u>30,499,400</u>	<u>32,738,570</u>	<u>37,596,751</u>	<u>38,698,447</u>
EXPENDITURES				
General government	1,900,330	2,103,346	2,406,010	3,583,153
Public safety	11,945,163	12,631,637	13,351,862	14,499,761
Development services	3,453,256	3,355,538	3,508,849	3,917,629
Parks and leisure services	2,239,495	2,508,218	3,555,902	2,951,319
Library services	674,788	674,453	731,986	814,602
Nondepartmental	481,358	867,069	958,652	1,053,341
Human resources	260,322	314,769	309,404	334,416
Financial services	1,183,734	1,229,697	1,199,965	1,183,605
Information technology	475,104	490,368	528,544	570,323
Capital outlay	4,939,559	6,113,105	7,687,797	9,380,677
Debt service				
Principal	2,665,000	3,065,000	3,674,198	4,185,487
Interest and service charges	2,708,732	2,653,315	3,492,404	3,861,639
Payment to bond escrow	-	-	-	-
Total expenditures	<u>32,926,841</u>	<u>36,006,515</u>	<u>41,405,573</u>	<u>46,335,952</u>

TABLE 5

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	31,567,635	\$	30,365,197	\$	29,908,440	\$	30,175,453	\$	30,572,800	\$	30,840,181
	23,400		-		-		-		-		-
	2,095,110		1,634,730		1,627,574		1,696,669		1,921,012		2,189,271
	227,719		860,012		748,192		820,760		796,815		748,099
	721,068		644,884		732,293		795,377		823,229		871,691
	1,074,968		984,317		1,096,452		1,054,477		958,534		998,412
	1,434,605		314,323		76,403		83,020		70,204		74,177
	844,407		1,112,257		1,297,146		1,278,510		2,072,020		1,867,758
	1,546,945		-		-		-		-		-
	662,003		710,354		535,208		257,910		156,764		291,392
	<u>40,197,860</u>		<u>36,626,074</u>		<u>36,021,708</u>		<u>36,162,176</u>		<u>37,371,378</u>		<u>37,880,981</u>
	2,334,303		1,279,890		1,961,081		2,622,418		2,631,101		2,120,838
	14,387,972		16,117,852		16,653,927		16,981,677		16,591,396		16,917,596
	3,856,422		3,521,060		3,551,797		3,340,924		3,042,163		3,103,786
	3,166,879		2,913,823		3,234,926		3,186,277		3,222,956		3,077,070
	870,217		889,791		935,633		879,457		869,133		875,161
	2,933,840		1,358,466		2,067,520		1,288,744		1,386,474		1,423,854
	347,323		195,881		167,715		140,181		197,010		247,092
	1,241,631		713,569		778,779		727,046		762,721		833,766
	582,721		312,204		284,355		293,953		274,064		290,045
	15,089,860		9,203,386		4,362,868		3,755,708		3,524,766		3,386,111
	4,176,776		4,531,913		4,140,141		4,641,948		4,989,020		5,602,787
	4,069,494		3,922,904		3,527,769		3,602,843		3,692,322		2,915,788
	-		-		-		-		-		11,161,123
	<u>53,057,438</u>		<u>44,960,739</u>		<u>41,666,511</u>		<u>41,461,176</u>		<u>41,183,126</u>		<u>51,955,017</u>

CITY OF DESOTO, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)
LAST TEN FISCAL YEARS**

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>(2,427,441)</u>	\$ <u>(3,267,945)</u>	\$ <u>(3,808,822)</u>	\$ <u>(7,637,505)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	4,473,429	29,925,222	7,815,000	15,510,000
Other financial sources (uses)	24,981	1,623,874	-	30,273
Payment to refunding escrow agent	(1,305,298)	(22,563,874)	-	-
Transfers in	4,814,323	3,559,037	5,769,465	6,988,814
Transfers out	<u>(4,218,259)</u>	<u>(2,986,854)</u>	<u>(4,281,500)</u>	<u>(5,280,729)</u>
Total other financing sources (uses)	<u>3,789,176</u>	<u>9,557,405</u>	<u>9,302,965</u>	<u>17,248,358</u>
NET CHANGE IN FUND BALANCES	1,361,735	6,289,460	5,494,143	9,610,853
FUND BALANCES, BEGINNING	12,526,349	13,888,084	20,177,544	25,671,687
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>(171,477)</u>
FUND BALANCES, ENDING	<u>\$ 13,888,084</u>	<u>\$ 20,177,544</u>	<u>\$ 25,671,687</u>	<u>\$ 35,111,063</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>19.2%</u>	<u>19.1%</u>	<u>21.3%</u>	<u>21.8%</u>

TABLE 5

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$(12,859,578)	\$(8,334,665)	\$(5,644,803)	\$(5,299,000)	\$(3,811,748)	\$(14,074,036)
5,690,000	14,105,000	755,000	3,314,406	18,040,000	10,375,000
29,005	510,352	130,802	189,967	3,220,773	733,159
-	(8,281,298)	(724,621)	(1,338,613)	(21,001,274)	-
5,368,659	5,695,409	7,396,548	2,981,635	3,314,660	4,077,117
(4,675,260)	(4,416,856)	(5,627,496)	(1,330,465)	(1,579,558)	(2,240,986)
<u>6,412,404</u>	<u>7,612,607</u>	<u>1,930,233</u>	<u>3,816,930</u>	<u>1,994,601</u>	<u>12,944,290</u>
(6,447,174)	(722,058)	(3,714,570)	(1,482,070)	(1,817,147)	(1,129,746)
35,111,063	28,663,889	28,597,313	24,882,743	23,400,673	21,583,526
<u>-</u>	<u>655,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 28,663,889</u>	<u>\$ 28,597,313</u>	<u>\$ 24,882,743</u>	<u>\$ 23,400,673</u>	<u>\$ 21,583,526</u>	<u>\$ 20,453,780</u>
<u>21.7%</u>	<u>23.6%</u>	<u>20.5%</u>	<u>22.0%</u>	<u>23.1%</u>	<u>17.6%</u>

CITY OF DESOTO, TEXAS

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Hotel Occupancy Tax</u>	<u>Total</u>
2004	\$ 15,971,951	\$ 4,479,320	\$ 3,182,732	\$ 226,424	\$ 23,860,427
2005	16,822,584	4,499,908	3,250,555	244,491	24,817,538
2006	18,715,056	4,680,468	3,848,098	248,785	27,492,407
2007	20,358,281	5,314,550	3,394,651	258,848	29,326,330
2008	22,031,974	5,802,926	3,336,906	395,829	31,567,635
2009	21,774,805	5,056,041	3,129,287	405,064	30,365,197
2010	20,972,154	5,532,796	2,794,521	575,384	29,874,855
2011	21,133,064	5,409,524	2,998,791	597,292	30,138,671
2012	21,093,055	5,929,029	2,816,188	704,045	30,542,317
2013	21,147,434	6,089,949	2,846,979	725,382	30,809,744

CITY OF DESOTO, TEXAS

ASSESSSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
(UNAUDITED)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Total Assessed Value</u>	<u>Total Direct Tax Rate</u>
2004	\$ 2,146,953,330	\$ 309,732,550	\$ 2,456,685,880	0.6590
2005	2,357,730,310	308,085,090	2,665,815,400	0.6850
2006	2,517,430,840	298,440,930	2,815,871,770	0.6980
2007	2,683,144,134	276,411,696	2,959,555,830	0.7100
2008	2,667,601,748	396,884,124	3,064,485,872	0.7000
2009	2,540,797,154	397,930,090	2,938,727,244	0.7000
2010	2,618,725,080	426,359,160	3,045,084,240	0.7000
2011	2,614,231,350	430,596,100	3,044,827,450	0.7350
2012	2,578,810,970	466,503,930	3,045,314,900	0.7574
2013	2,690,657,100	474,673,150	3,165,330,250	0.7574

Assessed values are established by the Dallas Central Appraisal District on the basis of 100% of appraised values.

CITY OF DESOTO, TEXAS

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER \$100 ASSESSED VALUE)
(UNAUDITED)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Dallas County</u>	<u>Dallas County Hospital</u>	<u>Dallas County Community College</u>	<u>Total City, County, Hospital and College</u>
2004	0.4660	0.1930	0.6590	0.209	0.254	0.078	1.200
2005	0.4760	0.2090	0.6850	0.214	0.254	0.082	1.235
2006	0.4860	0.2120	0.6980	0.219	0.254	0.081	1.252
2007	0.4860	0.2240	0.7100	0.233	0.254	0.080	1.277
2008	0.4860	0.2140	0.7000	0.233	0.254	0.089	1.276
2009	0.4960	0.2040	0.7000	0.233	0.274	0.098	1.305
2010	0.4960	0.2040	0.7000	0.620	0.271	0.099	1.690
2011	0.5050	0.2300	0.7350	0.253	0.271	0.100	1.359
2012	0.5049	0.2525	0.7574	0.243	0.271	0.119	1.391
2013	0.5199	0.2375	0.7574	0.243	0.271	0.119	1.391

Note: Tax rate is at 100% of market value

TABLE 8

<u>DeSoto ISD</u>	<u>Total City, County, Hospital, College and DeSoto ISD</u>	<u>Dallas ISD</u>	<u>Total City, County, Hospital, College and Dallas ISD</u>	<u>Duncanville ISD</u>	<u>Total City, County, Hospital, College and Duncanville ISD</u>
1.710	2.910	1.640	2.840	1.855	3.055
1.790	3.025	1.688	2.923	1.866	3.101
1.760	3.012	1.503	2.755	1.736	2.988
1.490	2.767	1.250	2.527	1.418	2.695
1.510	2.786	1.183	2.459	1.418	2.694
1.490	2.795	1.271	2.576	1.418	2.723
1.490	3.180	1.240	2.930	1.420	3.110
1.440	2.799	1.290	2.649	1.418	2.777
1.440	2.831	1.290	2.681	1.430	2.821
1.490	2.881	1.282	2.673	1.410	2.801

TABLE 9

CITY OF DESOTO, TEXAS
PRINCIPAL TAXPAYERS
(UNAUDITED)
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2013					2004				
	Taxable Assessed Valuation (2)	Type of Business	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation	Taxable Assessed Valuation (1)	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation	
Solar Turbines, Inc.	\$ 172,448,420	Manufacturing	1	5.45%	37.64%	\$ 87,001,980	1	3.26%	34.08%	
Kohls Department Store	74,602,700	Distribution	2	2.36%	16.29%	-		- %	- %	
McGraw Hill/School	55,498,080	Manufacturing	3	1.75%	12.11%	63,684,990	2	2.39%	24.95%	
WalMart Stores Texas LP	31,065,390	Retail/warehouse	4	0.98%	6.78%	-		- %	- %	
WRH Properties/Mt. Vernon, Inc.	25,940,800	Apartments	5	0.76%	5.66%	12,447,990	6	0.47%	4.88%	
Oncor Electric Delivery	24,031,020	Public utility	6	0.67%	5.25%	-		- %	- %	
DeSoto Apartments LTD	21,200,000	Apartments	7	0.67%	4.63%	15,461,070	4	0.58%	6.06%	
Cintas Corporation	20,972,450	Retail/Uniforms	8	0.66%	4.58%	-		- %	- %	
DeSoto Ridge Apartments LTD	17,800,000	Apartments	9	0.56%	3.89%	-		- %	- %	
Maclay Carlin DeSoto LTD	14,536,630	Shopping center	10	0.46%	3.17%	11,028,190	8	0.41%	4.32%	
Texas Utilities Electric Co.	-	Public utility		- %	- %	22,214,260	3	0.83%	8.70%	
East Wells III Inc.	-	Investments		- %	- %	12,896,540	5	0.48%	5.05%	
Albertsons Inc.	-	Retail		- %	- %	12,396,290	7	0.47%	4.86%	
Southwestern Bell Telephone Co.	-	Public utility		- %	- %	9,486,870	9	0.36%	3.72%	
Meridian Willliamburg AC	-	Apartments		- %	- %	8,650,410	10	0.32%	3.39%	
Totals	\$ <u>458,095,490</u>			<u>14.32%</u>	<u>100.00%</u>	\$ <u>255,268,590</u>		<u>9.57%</u>	<u>100.00%</u>	

(1) Source - DeSoto Joint tax office

(2) Source - Dallas County tax office

CITY OF DESOTO, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
(UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year Ended	Total Tax Levied for Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	13,899,107	13,635,024	98.10%	257,292	13,892,316	99.95%
2005	16,698,546	15,705,410	94.05%	607,320	16,312,730	97.69%
2006	16,535,406	15,993,668	96.72%	369,744	16,363,412	98.96%
2007	19,915,679	19,114,409	95.98%	578,349	19,692,758	98.88%
2008	21,395,308	20,702,532	96.76%	400,308	21,102,840	98.63%
2009	21,379,787	20,812,339	97.35%	296,735	21,109,074	98.73%
2010	20,746,013	20,277,877	97.74%	288,711	20,566,588	99.14%
2011	20,692,471	20,324,347	98.22%	178,225	20,502,572	99.08%
2012	21,182,362	20,705,884	97.75%	104,375	20,810,259	98.24%
2013	21,069,288	20,922,192	99.30%	-	20,922,192	99.30%

Sources: City of DeSoto Joint Tax office and Dallas County tax office

TABLE 11

CITY OF DESOTO, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
(UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Notes Payable	Capital Leases	General Obligation Bonds	Certificates of Obligation			
2004	44,680,737	17,250,102	-	-	1,305,000	3,030,000	66,265,839	-	1,545
2005	54,617,226	11,408,460	2,045,222	749,921	395,000	4,460,000	73,675,829	-	1,619
2006	58,923,028	11,243,460	1,855,989	634,262	-	5,350,000	78,006,739	-	1,656
2007	61,948,256	19,848,460	1,671,789	512,747	-	5,140,000	89,121,252	6.98%	1,872
2008	63,703,255	19,923,459	1,482,689	385,071	-	4,920,000	90,414,474	6.58%	1,868
2009	61,401,561	22,478,459	1,291,852	290,796	1,376,694	8,500,000	95,339,362	7.28%	1,958
2010	59,120,223	21,250,000	1,095,105	188,241	1,212,833	13,125,000	95,991,402	6.52%	1,986
2011	55,373,650	21,995,000	892,040	518,768	1,326,351	15,680,000	95,785,809	6.91%	1,953
2012	54,005,759	15,865,000	678,926	410,089	708,576	14,985,000	86,653,350	5.80%	1,767
2013	53,121,252	14,927,710	459,346	308,020	3,762,502	15,363,753	87,942,583	5.65%	1,721

Notes: Personal income data unavailable prior to fiscal year 2007.

* See table 15 for personal income and population data.

CITY OF DESOTO, TEXAS

**RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
(UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Assessed Value (1)	Total Bonded Debt (2)	Debt Services Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004	42,894	2,456,685,880	66,265,839	1,312,086	64,953,753	2.64%	1,514
2005	45,514	2,665,815,400	70,880,686	1,244,114	69,636,572	2.61%	1,530
2006	47,109	2,815,871,770	75,516,488	1,323,212	74,193,276	2.63%	1,575
2007	47,600	2,959,555,830	86,936,716	1,720,235	85,216,481	2.88%	1,790
2008	48,391	3,064,485,872	88,546,714	2,254,215	86,292,499	2.82%	1,783
2009	48,700	2,938,727,244	93,756,714	1,831,987	91,924,727	3.13%	1,888
2010	48,322	3,045,084,240	94,708,056	2,159,684	93,831,718	3.08%	1,942
2011	49,047	3,044,827,450	94,375,001	1,450,009	92,924,992	3.05%	1,895
2012	49,047	3,045,314,900	85,564,335	1,693,183	83,871,152	2.75%	1,710
2013	51,102	3,165,330,250	87,175,217	1,000,515	86,174,702	2.72%	1,686

Notes:

- (1) Beginning 1992, assessed values are determined by the Dallas Central Appraisal District.
- (2) Includes all long-term certificates of obligation and general obligation debt.

CITY OF DESOTO, TEXAS

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
(UNAUDITED)
SEPTEMBER 30, 2013**

Taxing Jurisdiction	Total Tax Supported Debt (1)	Percentage Applicable	Overlapping Debt
City of DeSoto	\$ 68,816,328	100.00%	\$ 68,816,328
<u>Overlapping Debt</u>			
DeSoto Independent School District	131,193,113	85.02%	111,540,385
Dallas County	136,430,000	1.78%	2,428,454
Dallas Independent School District	2,614,110,000	0.62%	16,207,482
Dallas County Community College District	355,880,000	1.78%	6,334,664
Dallas County Hospital District	743,250,000	1.78%	13,229,850
Duncanville Independent School District	<u>146,497,100</u>	8.82%	<u>12,921,044</u>
Subtotal overlapping debt	<u>4,127,360,213</u>		<u>162,661,879</u>
Total direct and overlapping debt	<u>\$ 4,196,176,541</u>		<u>\$ 231,478,207</u>
Ratio of direct and overlapping bonded debt to taxable assessed valuation			<u>7.31%</u>
Per capita direct and overlapping bonded debt			<u>\$ 4,530</u>

Source: First Southwest Company

(1) Includes general obligation bonds and certificates of obligation.

Note: The percentage of overlap is calculated by dividing the overlapping portion of the City's revenue base by the total revenue base of the overlapping government.

CITY OF DESOTO, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
(UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net Assessed Value		\$ 2,779,938,575
Plus: Exempt Property		<u>385,391,675</u>
Total Assessed Value		<u><u>3,165,330,250</u></u>
Debt limit - (10%) of total assessed value		316,533,025
Less: amount of debt applicable to debt limit:		
Total bonded debt (including special assessment bonds)	\$ 68,048,962	
Less: assets in debt service funds available for payment of principal	<u>1,000,515</u>	<u>67,048,447</u>
Legal Debt Margin		<u><u>\$ 249,484,578</u></u>

CITY OF DESOTO, TEXAS

**DEMOGRAPHIC STATISTICS
(UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Estimated Median Family Household Income (1)	Personal Income* (2)	Per Capita Personal Income*	Median Age	Education Level in Years of Formal Schooling	School Enrollment (3)	Unemployment Rate (4)
2004	42,894	69,892	-	-	36	High School + 2 yrs.	7,299	5.9%
2005	45,514	77,844	-	-	36	High School + 2 yrs.	7,915	5.7%
2006	47,109	72,726	-	-	36	High School + 2 yrs.	7,898	5.5%
2007	47,600	62,960	1,277,489	27	37	High School + 2 yrs.	8,700	3.0%
2008	48,391	62,960	1,373,095	28	37	High School + 2 yrs.	8,884	6.2%
2009	48,700	78,020	1,308,764	27	37	High School + 2 yrs.	9,063	6.7%
2010	48,322	75,488	1,472,710	30	37	High School + 2 yrs.	9,020	8.2%
2011	49,047	78,020	1,499,806	30	38	High School + 2 yrs.	8,995	7.3%
2012	49,047	58,711	1,494,805	27	38	High School + 2 yrs.	8,972	7.3%
2013	51,102	59,003	1,557,436	30	38	High School + 2 yrs.	9,177	7.3%

Sources:

- (1) DeSoto Economic Development Corporation (Claritas)
- (2) US Census Bureau
- (3) DeSoto Independent School District
- (4) Texas Workforce Commission

Note: *Amount presented in thousands of dollars

Personal income data is unavailable prior to fiscal year 2007.

CITY OF DESOTO, TEXAS
PRINCIPAL EMPLOYERS
(UNAUDITED)
CURRENT AND NINE YEARS AGO

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
DeSoto ISD	924	1	3.70%	907	1	4.20%
Kohls e-Commerce	500	2	2.00%	-		- %
Solar Turbines	400	3	1.60%	275	3	1.27%
City of DeSoto	364	4	1.46%	313	2	1.45%
Marten Transport	300	5	1.20%	-		- %
DIAB	244	6	0.98%	254	4	1.18%
Walmart Distribution	240	7	0.96%	240	5	1.11%
Williamsburg Village	210	8	0.84%	210	6	0.97%
Tom Thumb	150	9	0.60%	150	8	0.69%
Cintas	100	10	0.40%	-		- %
McGraw-Hill	-		- %	155	7	0.72%
Albertson's	-		- %	126	9	0.58%
Kroger	-		- %	125	10	0.58%
	<u>3,432</u>		<u>13.74%</u>	<u>2,755</u>		<u>12.75%</u>

Source: DeSoto, Texas - Community Profile provided by DEDC.

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CITY OF DESOTO, TEXAS

**FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION
(UNAUDITED)**

LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	10	10	10	10	10	10	10	10	11	10
Public safety	176	185	191	197	196	197	199	200	196	188
Development services	29	27	28	26	24	24	24	25	25	25
Parks and leisure services	35	34	34	27	26	26	27	28	28	36
Finance	13	14	14	12	11	11	10	10	11	15
Library	11	11	11	7	7	7	7	12	12	15
Human resources	2	3	3	3	3	3	3	3	3	3
Information technology	2	2	2	2	2	2	2	2	2	2
Water and sewer	24	24	24	27	26	26	26	26	28	30
Drainage	1	1	1	1	1	1	1	1	1	5
Sanitation	5	5	5	5	5	5	5	5	5	5

Source: City of DeSoto Human Resource Department

CITY OF DESOTO, TEXAS

**OPERATING INDICATORS BY FUNCTION
(UNAUDITED)**

LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2004	2005	2006	2007
General government				
Number of public information requests processed	35	55	55	75
Public safety				
Number of youth outreach programs held	39	53	40	40
Number of senior citizen symposiums held	8	44	8	10
Number of citizen police academics per year	2	3	2	2
Fire code inspections completed	479	466	445	450
Development services				
Traffic signal inspections	194	194	168	168
Parks and leisure services				
Total fitness facility memberships	3,125	4,325	4,342	5,493
Total swimming pool attendance	15,266	18,873	15,306	-
Library				
Total children's' story time programs	32	43	47	35
Human resources				
Number of salary surveys completed	8	8	14	8
Finance				
Municipal court cases filed	13,427	13,399	12,923	14,271
Information technology				
Number of City computers replaced annually	43	49	67	77
Water and sewer				
Number of touch read meters changed out	748	865	900	1,500
Number of meters read monthly	13,994	14,100	14,700	15,250
Drainage				
Number of easements acquired for project construction	5	4	4	4
Sanitation				
Number of existing intersection landscapes renovated annually	1	1	1	1

Source: Information provided by the head of each department.

TABLE 18

Fiscal Year					
2008	2009	2010	2011	2012	2013
75	2,018	86	2,023	2,320	267
21	10	11	10	9	1
7	1	1	1	1	13
2	1	2	1	2	1
432	423	978	835	756	463
192	204	85	68	68	204
6,025	6,405	5,780	4,861	6,347	4,519
17,830	16,887	15,648	17,148	16,474	16,461
33	98	32	53	57	51
14	5	5	4	24	28
14,117	11,342	12,106	10,499	9,105	9,157
64	63	8	65	82	52
354	629	1,189	1,338	1,002	457
15,489	15,748	15,879	16,008	15,480	16,903
-	5	1	-	3	-
1	2	3	4	6	2

TABLE 19

CITY OF DESOTO, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION
(UNAUDITED)
LAST TEN FISCAL YEARS

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	3	3	3	3	3	3	3	3
Development services										
Lane Miles of streets	452	452	452	466	473	484	391	491	478	482
Miles of alleys	102	102	102	90	96	96	94	91	77	90
Traffic signals	14	14	14	15	16	17	17	17	17	17
Parks and recreation										
Number of parks	19	19	19	19	19	19	19	19	19	19
Civic centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Theater playhouses	1	1	1	1	1	1	1	1	1	1
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Water and sewer										
Water pumping capacity	18 mg/day	18 mg/day	18 mg/day	35 mg/day	39.5 mg/day	39.5 mg./day				
Elevated water storage	5 mg.	5 mg.	5 mg.	5 mg.	5 mg.	5 mg.				
Ground storage	13 mg.	13 mg.	13 mg.	13 mg.	13 mg.	13 mg.				

COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, T.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City of Council
City of DeSoto, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 the City of DeSoto, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of DeSoto, Texas' basic financial statements, and have issued our report thereon dated March 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of DeSoto, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of DeSoto, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of DeSoto, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of DeSoto, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 28, 2014

CITY OF DESOTO, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Finding 2012-1:

Condition: Many of the decentralized functions of the City such as Parks and Leisure, Municipal Court, and Utilities operate in systems that are manually interfaced with the City's accounting system. There are currently no standard procedures in place to ensure that the activity recorded in these decentralized functions is being properly recorded in the City's general ledger.

Criteria: Reconciliation procedures are independent checks of the accounting system to identify errors and misrepresentations. Reconciliations should take place after the fact, by an individual who is not directly involved with the transaction or task being verified. Through reconciliation procedures, management can assess the performance of individuals, the integrity of the transaction processing system, and the correctness of the data contained in accounting records.

Cause of Condition: Internal controls are currently inadequate to ensure that the activity recorded in these decentralized systems is reconciled to the activity recorded in the City's general ledger.

Effect of Condition: A weak internal control structure can make it possible for errors or other misrepresentations to go long periods of time without being detected.

Recommendation: Controls need to be put in to place that will ensure that the activities occurring at Parks and Leisure, Municipal Court, and Utilities are reconciled to the general ledger balance on at least a monthly basis with any differences investigated and corrected in a timely manner.

Current Status: This matter has been resolved.

CITY OF DESOTO, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Finding 2012-2:

Condition: Controls were not in place to ensure that only authorized individuals had access to the employee master file. Also, many changes to the payroll transaction cycle were made during the year to eliminate segregation of duties issues that have been noted in prior years, but issues still existed with segregation of duties throughout the year.

Criteria: An essential element of any preventative control system is to have segregation of duties established in such a manner that no single individual could perpetrate an error and conceal it without it being discovered on a timely basis.

Cause of Condition: There are inadequate controls over segregation of duties within the payroll processing function.

Effect of Condition: There is a greater risk that errors or misappropriation could go undetected for an extended period of time.

Recommendation: Access to modify pay rates and other employee information should be limited to areas like Human Resources which are not involved in the processing of payroll. Additionally, reconciliation and review procedures should be put into place after payroll is processed to ensure that what was paid agrees to the underlying time records entered by employees.

Current Status: This matter has been resolved.

CITY OF DESOTO, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Finding 2012-3:

<u>Condition:</u>	Currently, user access rights are given out to employees for certain software systems by department heads instead of IT and there are no policies requiring that the user access rights are monitored on a regular basis. Furthermore, there are no policies in place to ensure that terminated employees access rights are promptly removed. Additionally, there are no policies requiring a password for any of the software systems used by the City, passwords are never required to be changed, and accounts are not locked when a large number of failed access attempts are made.
<u>Criteria:</u>	Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records.
<u>Cause of Condition:</u>	No formal policies and procedures exist for the Information Technology department.
<u>Effect of Condition:</u>	Because formal procedures are not documented, there is no way for the City's management to know if their expectations are communicated consistently to all employees. Also, without formal policies and procedures in place, there is no way to ensure that adequate safe guards are in place to ensure the security of the City's data and information technology systems.
<u>Recommendation:</u>	City Management should work with the Information Technology department to perform a risk assessment of the current IT environment of the City. Then City Management should develop and approve a set of formal policies and procedures that will address any risks identified.
<u>Current Status:</u>	This matter has been resolved.

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