



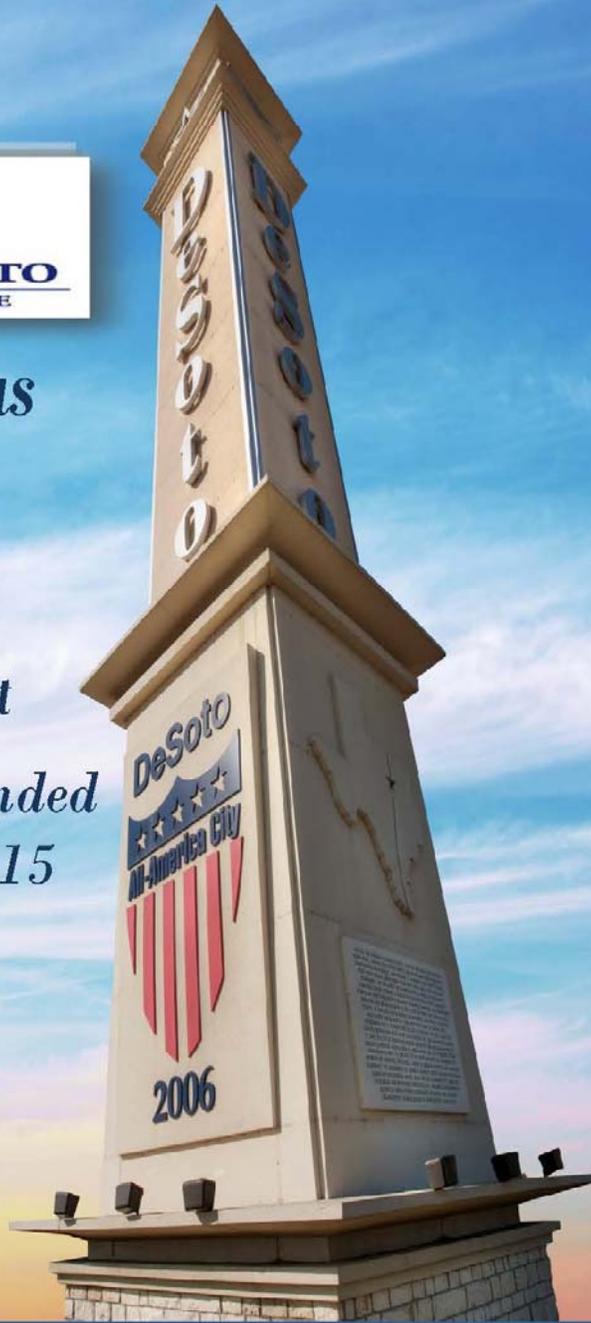
*DeSoto, Texas*

*Comprehensive*

*Annual*

*Financial Report*

*For The Year Ended  
September 30, 2015*





**CITY OF DESOTO, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED September 30, 2015**



Prepared by the

**FINANCIAL SERVICES DEPARTMENT**

Edena J. Atmore, CPA, CPFO, CGFO  
Managing Director

Tishia N. Jordan,  
Director of Budget

**CITY MANAGER**

Tarron Richardson, Ph.D.

**CITY COUNCIL**

Carl O. Sherman, Mayor

Virgil Helm, Council Member

Rachel Proctor, Council Member

Curtistene McCowan, Mayor Pro Tem

Kristine Clark, Council Member

Richard North, Council Member

James Zander, Council Member



**CITY OF DESOTO, TEXAS**  
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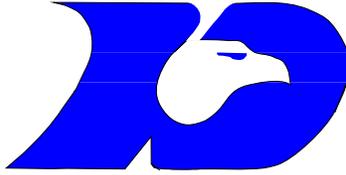
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# **INTRODUCTORY SECTION**





# City of DeSoto

March 22, 2016

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 Wednesday, September 30, 2015.

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.

Whitley Penn, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Desoto's financial statements for the year that ended Wednesday, September 30, 2015. 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 2015 population of 51,934. 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 that 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 2015, the General Fund accomplished this by having a fund balance of \$18,912,314, 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 2015 budget was prepared along with a planning budget for fiscal year 2016.

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 that 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 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 2015 is an average of 5.1%, which is slightly above the unemployment rate for Dallas County of 4.1%. 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 2015, the City experienced an increase in taxable assessed valuation by 4.89% since fiscal year 2014. 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 2015.

### ***Long-term Financial Planning***

The City has historically maintained solid general fund balances. Fiscal year 2015 fund balance for the General Fund was approximately \$18.9 million or roughly 60% 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 2014-2015 fiscal year included initiatives such as:

- Maintain the current level of public services provided by all municipal departments;
- Continue to market the Eagle Industrial Park to generate new business opportunities;
- Increase the value of commercial, as well as residential 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 Tuesday, September 30, 2014. 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 30 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 timely preparation of this report could not have been accomplished without the dedicated services of the all staff. Most importantly, our entire staff would like to commend the Mayor and the City Council for their willingness to participate in the financial planning process.

Respectfully,

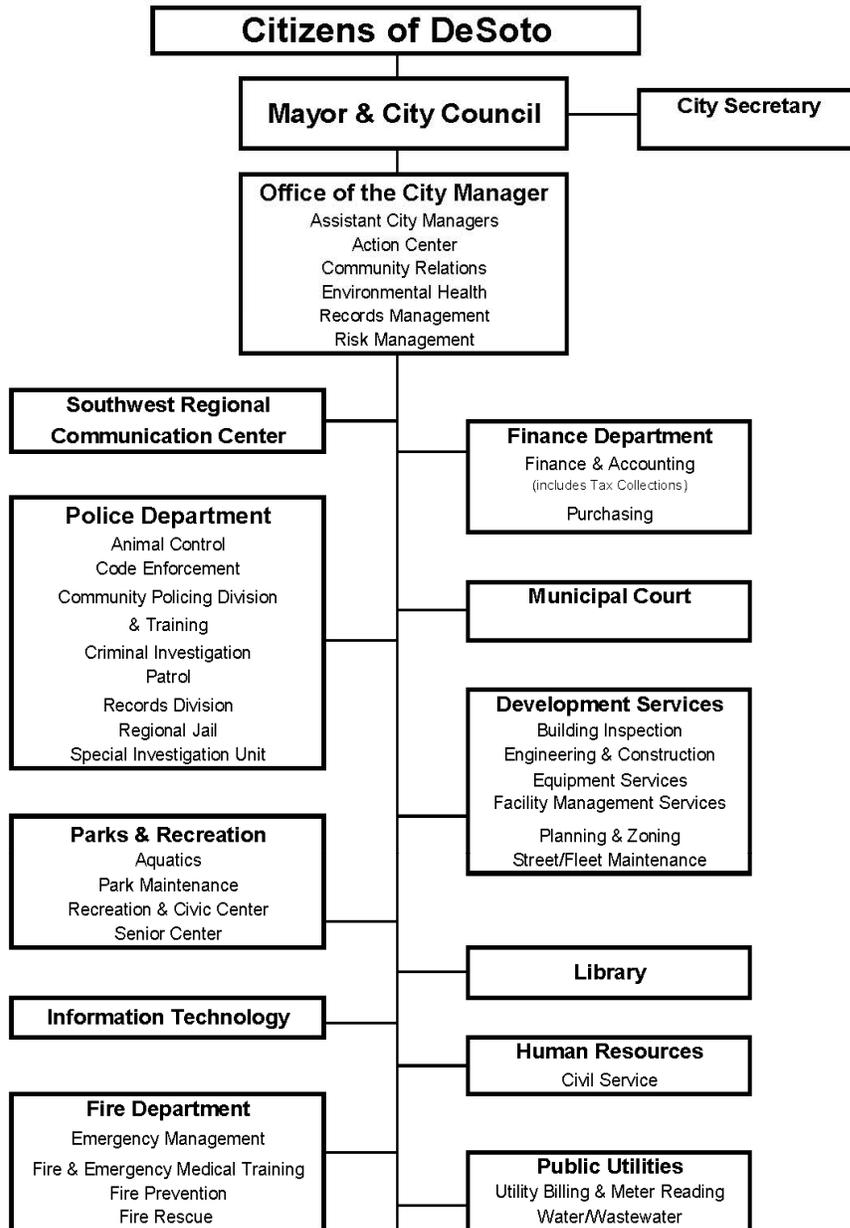
A handwritten signature in blue ink, appearing to read 'Tarron Richardson'.

Tarron Richardson, Ph.D.  
City Manager

A handwritten signature in blue ink, appearing to read 'Tishia N. Jordan'.

Tishia N. Jordan, CGFO  
Director of Budget, Financial Services Department

**CITY OF DESOTO, TEXAS**  
**ORGANIZATIONAL CHART**



# City Officials

## City Council

**Carl O. Sherman**

*Mayor*

Place One

**Virgil Helm**

Place Two

**Kristine Clark**

Place Three

**Rachel Proctor**

Place Four

**Richard North**

Place Five

**Curtistene McCowan**

*Mayor Pro Tem*

Place Six

**James Zander**

Place Seven

**Joe Gorfida**

City Attorney

## City Management

**Tarron J. Richardson, Ph.D.**

City Manager

**Tracie Hlavinka**

Assistant City Manager

**Lora Stallings**

Assistant City Manager

**Edena J. Atmore, CPA, CPFO, CGFO**

Managing Director

Financial Services

**Isom Cameron**

Managing Director

Public Utilities

**Joseph Costa**

Police Chief

Police Department

**Karima Dash**

Managing Director

Southwest Regional Communication  
Center (SWRCC)

**Jerry Duffield**

Fire Chief

Fire and EMS Department

**Renee Johnson**

Managing Director

Parks & Recreation

**Tom Johnson**

Managing Director

Development Services

**Scott Kurth**

Judge

DeSoto Municipal Court

**Kerry McGeath**

Managing Director

Library Services

**Kisha Morris**

City Secretary

**Kathleen Shields**

Managing Director

Human Resources



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, 2014**

Executive Director/CEO

# **FINANCIAL SECTION**

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## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of DeSoto, Texas (the "City"), as of and for the year ended September 30, 2015, 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.

### Auditor's Responsibility

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

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

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

## **Opinions**

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

## **Emphasis of Matter**

As discussed in Note 1 and Note 13 to the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the year ending September 30, 2015. Our opinions are not modified with respect to this matter.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 16, budgetary comparison information on pages 64 through 65, pension system supplementary information on pages 66 through 67, 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, budgetary schedules, discretely presented component unit fund statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual nonmajor fund financial statements and schedules along with the discreetly presented component unit fund statements are the responsibility of management and were derived from and relates 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 and the discreetly presented component unit fund statements 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 22, 2016, 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 and has been issued under separate cover.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
March 22, 2016

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2015. 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 - v of this report, and the financial statements which follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2015 fiscal year by \$170,200,293 (net position). Of this amount, \$36,252,017 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2015, the City's governmental funds reported combined ending fund balances of \$32,447,865, an increase of \$11,346,001 from the prior year. Approximately 58% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18,868,052 or 60% of total General Fund expenditures.
- The City's total capital assets net of accumulated depreciation decreased by \$6.3 million. The decrease is primarily due to current year depreciation. Capital project activity decreased for 2015; therefore, capital additions did not exceed current year depreciation.
- The City's outstanding debt for certificate of obligation, general obligation and revenue bonds decreased \$283 thousand due to scheduled payments.

**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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four 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).

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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, financial services, municipal court parks and recreation, library services, human resources, 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 16 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered to be major funds. Data from the other 14 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.

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**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 31 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, 2015, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$170,200,293.

The largest portion of the City's net position (75%) 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 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$36,252,017 may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

As of September 30, 2015, 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 39,787,913	\$ 28,113,416	\$ 26,256,107	\$ 25,336,225	\$ 66,044,020	\$ 53,449,641
Capital assets	136,380,906	140,535,194	61,016,120	63,131,499	197,397,026	203,666,693
Total assets	<u>176,168,819</u>	<u>168,648,610</u>	<u>87,272,227</u>	<u>88,467,724</u>	<u>263,441,046</u>	<u>257,116,334</u>
Deferred outflows of resources	2,912,956	885,863	294,347	83,447	3,207,303	969,310
Current and other liabilities	3,630,152	2,875,914	2,974,289	2,714,012	6,604,441	5,589,926
Long-term liabilities	71,753,678	68,991,154	17,295,182	18,363,509	89,048,860	87,354,663
Total Liabilities	<u>75,383,830</u>	<u>71,867,068</u>	<u>20,269,471</u>	<u>21,077,521</u>	<u>95,653,301</u>	<u>92,944,589</u>
Deferred inflows of resources	748,355	312,725	46,400	-	794,755	312,725
Net position						
Net investment in capital assets	75,008,168	79,821,001	52,091,447	53,034,176	127,099,615	132,855,177
Restricted	6,848,661	6,171,884	-	-	6,848,661	6,171,884
Unrestricted	<u>21,092,761</u>	<u>11,361,795</u>	<u>15,159,256</u>	<u>14,439,474</u>	<u>36,252,017</u>	<u>25,801,269</u>
Total net position	<u>\$ 102,949,590</u>	<u>\$ 97,354,680</u>	<u>\$ 67,250,703</u>	<u>\$ 67,473,650</u>	<u>\$ 170,200,293</u>	<u>\$ 164,828,330</u>

Note that the comparative balances for September 30, 2014 have not been restated for the effects of new accounting standards regarding the recognition of net pension liability.

**Governmental activities.** Net position increased by \$9,096,338 in fiscal year 2015 (before applying a prior period adjustment of \$3.5 million related to the implementation of a new accounting standard). This is compared to an increase of \$2,901,778 in fiscal year 2014. During the current year, there were increases in charges for service, operating grants and contributions, property taxes and other local taxes and interest income earned. Governmental expenditures decreased largely in the areas of public safety, development services, finance, court and library services.

**Business-type activities.** Net position increased by \$138,341 in the current year (before applying a prior period adjustment of \$361,288 related to the implementation of the new accounting standard) compared to a (\$1,399,789) decrease in fiscal year 2014. The increase in net position as compared to prior year is attributable to the increase in revenue related to charges for services and interest income earned and a decrease in expenses related to storm drainage repair and maintenance costs.

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

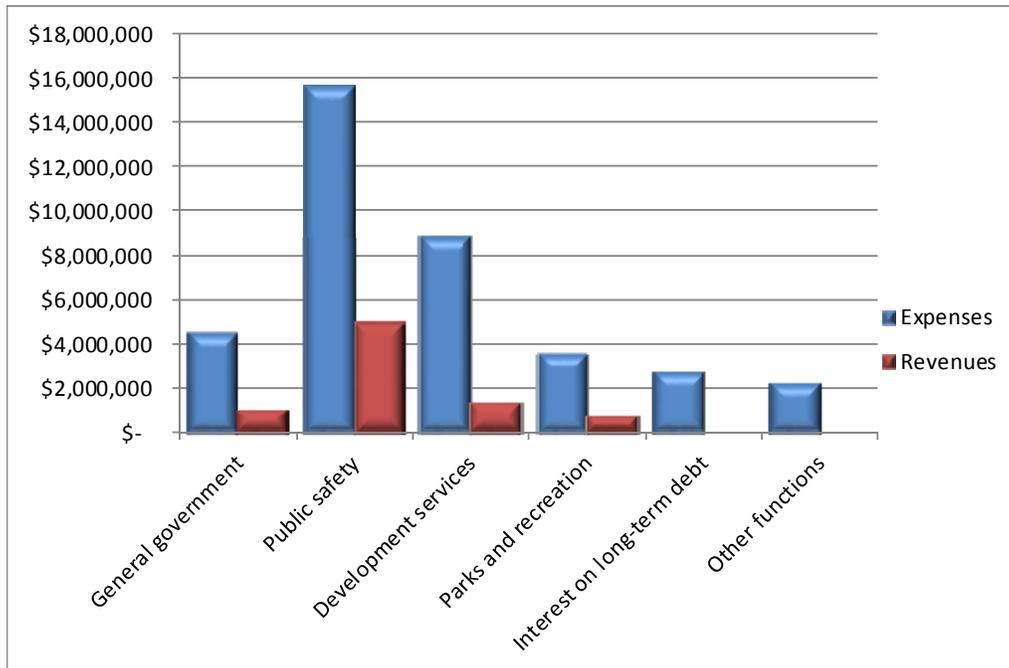
**City of DeSoto's Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 7,130,546	\$ 6,626,397	\$ 23,353,806	\$ 22,022,491	\$ 30,484,352	\$ 28,648,888
Operating grants and contributions	1,228,969	964,431	-	-	1,228,969	964,431
Capital grants and contributions	-	1,787	-	-	-	1,787
General Revenues:						
Property taxes	22,332,142	21,730,242	-	-	22,332,142	21,730,242
Other local taxes	12,883,219	10,364,530	-	-	12,883,219	10,364,530
Interest income	120,644	61,154	99,713	73,888	220,357	135,042
Miscellaneous	794,454	956,714	-	-	794,454	956,714
<b>Total revenues</b>	<b>44,489,974</b>	<b>40,705,255</b>	<b>23,453,519</b>	<b>22,096,379</b>	<b>67,943,493</b>	<b>62,801,634</b>
<b>Expenses</b>						
General government	4,472,030	3,689,262	-	-	4,472,030	3,689,262
Public Safety	15,633,862	18,322,046	-	-	15,633,862	18,322,046
Development services	8,860,259	9,201,069	-	-	8,860,259	9,201,069
Financial services	215,738	397,475	-	-	215,738	397,475
Municipal court	496,540	541,705	-	-	496,540	541,705
Information technology	521,186	428,672	-	-	521,186	428,672
Human resources	253,336	290,303	-	-	253,336	290,303
Parks and recreation	3,623,576	3,683,337	-	-	3,623,576	3,683,337
Library services	776,904	919,596	-	-	776,904	919,596
Interest on long-term debt	2,807,023	2,453,548	-	-	2,807,023	2,453,548
Water and sewer	-	-	16,049,932	15,982,382	16,049,932	15,982,382
Storm drainage	-	-	1,155,389	1,594,527	1,155,389	1,594,527
Sanitation	-	-	3,843,039	3,795,723	3,843,039	3,795,723
<b>Total Expenses</b>	<b>37,660,454</b>	<b>39,927,013</b>	<b>21,048,360</b>	<b>21,372,632</b>	<b>58,708,814</b>	<b>61,299,645</b>
Increase (decrease) in net position						
before transfers	6,829,520	778,242	2,405,159	723,747	9,234,679	1,501,989
Transfers	2,266,818	2,123,536	(2,266,818)	(2,123,536)	-	-
Change in net position	9,096,338	2,901,778	138,341	(1,399,789)	9,234,679	1,501,989
<b>Net position - beginning (as previously reported)</b>						
Prior period adjustments	97,354,680	97,336,903	67,473,650	68,873,439	164,828,330	166,210,342
	(3,501,428)	(2,884,001)	(361,288)	-	(3,862,716)	(2,884,001)
<b>Net position - ending</b>	<b>\$ 102,949,590</b>	<b>\$ 97,354,680</b>	<b>\$ 67,250,703</b>	<b>\$ 67,473,650</b>	<b>\$ 170,200,293</b>	<b>\$ 164,828,330</b>

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

*Analysis of the City's Operations.* The following table provides a summary of the City's operations for the year ended September 30, 2015. Overall, the City had an increase in net position of \$9,234,679, before prior period adjustments. Overall revenue increases over prior year and expenses were relatively unchanged. The overall increase includes the effect of the prior period adjustment from implementation of new standards.

**Expense and Program Revenues - Governmental Activities**



**Financial Analysis of the Government's 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 2015 fiscal year, the City's governmental funds reported combined ending fund balances of \$32,447,865, an increase of \$11,346,001 from the prior year. Approximately 58% of this total amount is available for spending at the City's discretion. A portion of the remaining fund balance \$9,415,880 is not available for new spending because it is restricted to pay for 1) street improvements and capital projects 2) debt service 3) public safety grants and 4) economic development projects.

*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 \$18,868,052, while the total fund balance was \$18,912,314. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total expenditures. Unassigned fund balance represents 60% of the general fund expenditures.

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The final budget for fiscal year 2015 reflected an increase of -\$223,042 in fund balance, which increased the reserve balance. The actual change in fund balance was an increase of \$5,474,250. Contributing factors was the realization of revenues \$4,803,020 over the budgeted amounts and overall expenditures \$2,807,552 under budgeted amounts. Key factors affecting fund balance are as follows:

- Total General Fund revenues of \$34,803,150 were increased from FY 2014 by \$3,087,284.
  - o Property tax revenue increased \$560,479 from FY 2014 actuals as the overall property tax rate remained unchanged.
  - o Sales tax revenues increased by \$2,355,023 and franchise fees increased by \$113,356.
  - o Intergovernmental revenue increased slightly by \$20,349.
  - o Charges for services increased by \$339,692 while Recreation service fees remained substantially unchanged.
  - o Fines and forfeitures increased by \$132,385.
  - o Licenses and permits increased by \$52,861.
  - o Miscellaneous revenue decreased by \$537,688 from FY14 in which the City received a one-time insurance settlement.
  
- Total General Fund expenditures of \$31,650,938 were increased from FY 2014 by \$1,071,150.
  - o Total public safety expenditures increased by \$249,459, primarily due to an increase in personnel and equipment and supply purchases.
  - o Development Services expenditures decreased by 43,648
  - o Municipal Court expenditures increased by \$69,081 for professional services and salaries,
  - o Information technology expenditures increased by 72,896 for computer software purchases,
  - o Human Resources expenditures increased by \$40,232 for salary related expenditures,
  - o Parks and recreation services expenditures increased by \$223,947 over FY 2014 related to personnel and repair and maintenance of park facilities.
  - o Non-departmental expenditures increased by \$1,021,301 over prior year for expenditures related to an economic incentive, based upon sales tax revenues, provided by the City.
  - o Capital outlay actual expenditures decreased by \$584,227 due to large expenditures in FY 2014 related to telephone system replacement and upgrade project and building repairs.

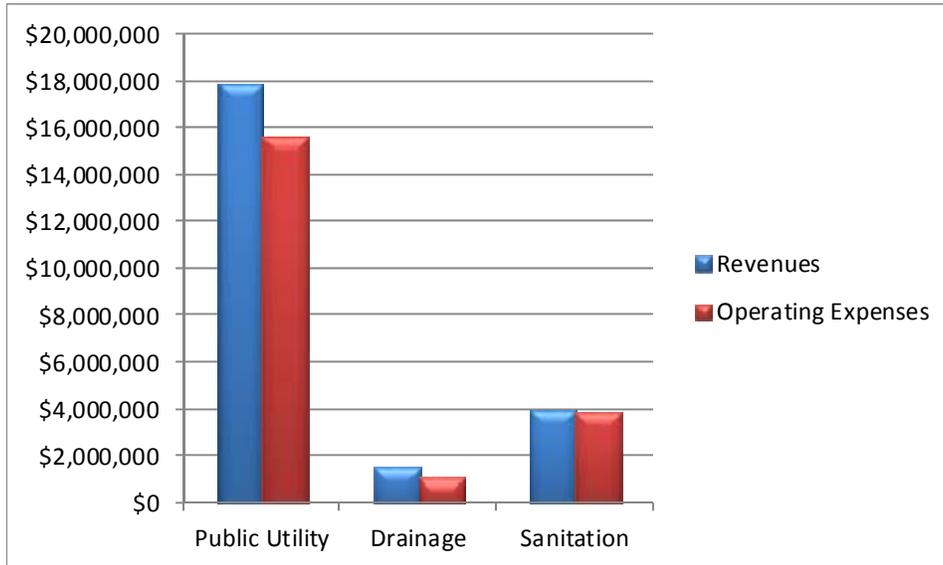
The actual revenues of \$34,803,150 were more than the budgeted revenues by \$4,833,020. Property tax, intergovernmental and miscellaneous revenue did not meet the budgeted amount. Other areas such as franchise fees, sales taxes, fines and forfeitures, license and permits, and charges for services exceeded the budgeted amount to offset these amounts. The actual expenditures of \$31,650,938 were \$1,738,460 less than the budgeted expenditures of \$33,389,398.

Debt service fund balance increased by \$297,249 due to the increase in tax revenue collected and transfers in from other funds.

The fund balance of the Street Improvement fund increased by \$1,321,723 net effect of capital expenditures and proceeds from the issuance of long term debt for projects related the approved November 2014 Bond referendum.

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**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 – \$12,044,208, Storm Drainage –\$1,161,079, and Sanitation – \$1,953,969. The net position for the Public Utility fund decreased (\$381,863); Storm Drainage increased \$351,819 and Sanitation increased \$168,385. The overall change in net position for business-type activities increased by \$138,341 which is an increase of \$1,538,130 from FY2014. Public Utility Fund revenues increased with a base and volume rate increase. Overall Proprietary Funds operating revenues of \$23,353,806 reflected an increase of \$1,331,315 or an increase of 6.0% compared to FY2014. Proprietary Funds operating expenses of \$20,447,510 reflected a decrease of \$289,931 or a decrease of .01% from FY2014. Although there were significant increases in the cost of supplying water and wastewater treatment, the Utility reduced costs related to personnel and repair and maintenance in the current year.

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Capital Assets and Debt Administration**

**Capital assets**

At the end of fiscal year 2015, the City had \$197.4 million 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 \$6.3 million from the prior fiscal year.

**City of DeSoto's Capital Assets (in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land	\$ 4,722	\$ 4,352	\$ 1,244	\$ 945	\$ 5,966	\$ 5,297
Street/Alley ROW	14,073	14,073	-	-	14,073	14,073
Construction in progress	7,907	7,893	1,527	5,992	9,434	13,885
Buildings	24,460	24,860	-	-	24,460	24,860
Infrastructure	83,239	87,403	57,666	55,574	140,905	142,977
Equipment and furniture	1,980	1,954	579	620	2,559	2,574
	<u>\$ 136,381</u>	<u>\$ 140,535</u>	<u>\$ 61,016</u>	<u>\$ 63,131</u>	<u>\$ 197,397</u>	<u>\$ 203,666</u>

Major capital asset events during the 2015 fiscal year include the following:

- **2015 Street Reconstruction:** The scope of work consisted of pulverization of the existing asphalt, cement stabilization of the base material to a depth of 6” (inches), and the construction of a new 6” (inch) asphalt roadway. The selected streets for this project were: Cedar Rapids Road (Westmoreland to Old Hickory), honor Drive (Ray to Honor Circle), Rickey Canyon (Cindy Way to Ida Bess), Spinner Road (Westmoreland To 620 Spinner Road), and south half of Parkerville Road (Westmoreland to Kemper Drive). The estimated capitalized cost for this project is \$627,000.
- **Deborah Lane Alley Reconstruction:** The scope of work included the removal and replacement of the existing concrete alley and drive approaches. The estimated capitalized cost for this project is \$188,000.
- **Pleasant Run Road Bridge – Phase 1 (12-inch Water Line Relocation and Church Parking Lot Reconstruction)** the scope of work consisted of the replacement and subsequent relocation of an existing water line along Pleasant Run Road and the reconfiguration of the church parking lot to accommodate the relocation of the eastern move driveway in preparation for the Bee Branch Bridge Reconstruction project. The estimated capitalized cost for this project is \$588,000.

Additional information on the City’s capital assets can be found in Note 4 to the financial statements.

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Debt Administration**

**City of DeSoto's Outstanding Debt**  
**Certificates of Obligation, General Obligation, and Revenue Bonds (in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 45,503	\$ 45,570	\$ 2,487	\$ 2,944	\$ 47,990	\$ 48,514
Certificates of obligation	15,900	14,180	13,870	14,550	29,770	28,730
Notes payable	-	233	-	-	-	233
	<u>\$ 61,403</u>	<u>\$ 59,983</u>	<u>\$ 16,357</u>	<u>\$ 17,494</u>	<u>\$ 77,760</u>	<u>\$ 77,477</u>

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

Additional information on the City's long-term debt can be found in Note 5 beginning on page 47 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. In the coming year, an increase in general government Property Tax revenue is estimated due to the City's increase in assessed valuation for Tax Year 2015. The City's tax rate will be reduced after maintaining the same rate for four years. The FY 2016 budget was adopted with total tax rate of \$.7499 per \$100 valuation and an Operation & Maintenance tax rate of \$0.5249 and Interest and Sinking tax rate of \$0.2250.

Sales Tax is the second largest revenue source. In 2015, retail and industry taxable sales grew and the City welcomed a new e-commerce distribution center. Revenue related to sales tax experienced a significant increase. For this reason, the City projected an increase in sales tax projections for FY 2016. The estimates for Franchise Fees for FY 2015 actuals were consistent with prior year and exceeded budget expectations. In FY 2016 the budget for franchise fees will increase slightly based upon the increase in new home construction and expansion of existing commercial business. Charges for services exceeded current year budgeted revenues by \$605,626. Because this category of revenue collections can span a number of fiscal years it will be budgeted conservatively in FY 2016. Overall, budgeted revenue in the General Fund for FY 2016 increased by approximately \$821,138, which represents a 2.4% increase over the amount budgeted for fiscal year 2015.

The fiscal year 2016 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 2016 budget were additional positions to enhance services. The cost associated with salary adjustments and new positions for the General Fund for fiscal year 2016 is approximately \$674,000, an overall increase of 3.0%.

**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

In addition to salary adjustments, in the past, we have experienced a decrease in the Texas Municipal Retirement System ("TMRS") contribution rates. It is important to note that in fiscal year 2016 we will continue participation in TMRS, and the City's match will remain 2.0:1. In FY 2016, the actuarial rate will be 10.53%, which is a decrease of 4.54% from the previous fiscal year. This allows us to continue in TMRS and meet the UAAL obligation over time. All other personnel related benefit programs remain at the level reflected in the fiscal year 2016 budget.

***Requests 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: Director of Budget, 211 E. Pleasant Run Road, DeSoto, Texas 75115, or call (972) 230-9631, or email [tjordan@desototexas.gov](mailto:tjordan@desototexas.gov).

# **BASIC FINANCIAL STATEMENTS**

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF NET POSITION**  
*September 30, 2015*

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 32,552,236	\$ 22,676,333	\$ 55,228,569
Receivables, net of allowances	4,716,336	3,574,431	8,290,767
Inventories	44,262	5,343	49,605
Notes receivable	1,535,000	-	1,535,000
Investment in joint ventures	940,079	-	940,079
<b>Capital Assets:</b>			
Non-depreciable	26,702,215	2,772,154	29,474,369
Depreciable, net	109,678,691	58,243,966	167,922,657
<b>Total Capital Assets</b>	136,380,906	61,016,120	197,397,026
<b>Total Assets</b>	176,168,819	87,272,227	263,441,046
<b>Deferred Outflows of Resources</b>			
Deferred amounts pension related	2,114,428	210,900	2,325,328
Deferred charge on refunding	798,528	83,447	881,975
<b>Total Deferred Outflows of Resources</b>	2,912,956	294,347	3,207,303
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,691,784	1,312,574	3,004,358
Accrued liabilities	1,514,483	148,824	1,663,307
Accrued interest	327,900	81,908	409,808
Unearned revenues	95,985	-	95,985
Customer deposits	-	1,430,983	1,430,983
Noncurrent liabilities:			
Due within one year	6,236,141	1,042,630	7,278,771
Due in more than one year	64,101,356	16,111,053	80,212,408
Net pension liability	1,416,181	141,500	1,557,681
<b>Total Liabilities</b>	75,383,830	20,269,471	95,653,301
<b>Deferred Inflows of Resources</b>			
Deferred Inflows - pension related	464,060	46,400	510,460
Deferred gain on bond refunding	284,295	-	284,295
<b>Total Deferred Inflows of Resources</b>	748,355	46,400	794,755
<b>Net Position</b>			
Net investment in capital assets	75,008,168	52,091,447	127,099,615
Restricted for:			
Debt service	4,233,637	-	4,233,637
Public safety	1,275,472	-	1,275,472
Economic development	1,339,552	-	1,339,552
Unrestricted	21,092,761	15,159,256	36,252,017
<b>Total Net Position</b>	\$ 102,949,590	\$ 67,250,703	\$ 170,200,293

See notes to the financial statements.

<b>Component Units</b>	
<b>Desoto Parks Development Corporation</b>	<b>Desoto Economic Development Corporation</b>
\$ 686,202	\$ 2,915,638
114,273	347,494
-	-
-	147,088
-	-
11,250	-
2,299,967	-
<u>2,311,217</u>	<u>-</u>
<u>3,111,692</u>	<u>3,410,220</u>
-	28,700
-	13,158
<u>-</u>	<u>41,858</u>
-	8,805
-	-
12,263	12,039
-	-
-	-
365,000	210,000
2,120,000	2,224,284
-	19,000
<u>2,497,263</u>	<u>2,474,128</u>
-	6,200
<u>-</u>	<u>-</u>
<u>-</u>	<u>6,200</u>
-	-
-	-
-	-
614,429	971,750
<u>\$ 614,429</u>	<u>\$ 971,750</u>

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2015*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Primary government</b>			
<b>Governmental Activities:</b>			
General government	\$ 4,472,030	\$ 452,770	\$ 636,441
Public safety	15,633,862	4,564,521	415,932
Development services	8,860,259	1,319,083	112,505
Financial services	215,738	-	-
Municipal court	496,540	-	14,467
Information technology	521,186	-	-
Human resources	253,336	-	-
Parks and recreation	3,623,576	750,124	43,049
Library services	776,904	44,048	6,575
Interest on long-term debt	2,807,023	-	-
<b>Total Governmental Activities</b>	<b>37,660,454</b>	<b>7,130,546</b>	<b>1,228,969</b>
<b>Business-type Activities:</b>			
Public utility	16,049,932	17,849,524	-
Storm drainage	1,155,389	1,501,251	-
Sanitation	3,843,039	4,003,031	-
<b>Total Business-type Activities</b>	<b>21,048,360</b>	<b>23,353,806</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 58,708,814</b>	<b>\$ 30,484,352</b>	<b>\$ 1,228,969</b>
<b>Component Units</b>			
DeSoto Parks Development Corporation	\$ 294,524	\$ -	\$ -
DeSoto Economic Development Corporation	1,500,856	-	-
<b>Total Component Units</b>	<b>\$ 1,795,380</b>	<b>\$ -</b>	<b>\$ -</b>

**General revenues:**

Taxes:

Property taxes

Franchise and other taxes

Sales taxes

Hotel occupancy

Unrestricted investment earnings

Miscellaneous

Transfers

**Total general revenues and transfers**

Change in net position

**Net Position - beginning, as originally reported**

Change in accounting principles

Net Position - beginning, as restated

**Net Position - ending**

See notes to the financial statements.

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

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	DeSoto Park Development Corporation	DeSoto Development Corporation
\$ (3,382,819)	\$ -	\$ (3,382,819)	\$ -	\$ -
(10,653,409)	-	(10,653,409)	-	-
(7,428,671)	-	(7,428,671)	-	-
(215,738)	-	(215,738)	-	-
(482,073)	-	(482,073)	-	-
(521,186)	-	(521,186)	-	-
(253,336)	-	(253,336)	-	-
(2,830,403)	-	(2,830,403)	-	-
(726,281)	-	(726,281)	-	-
(2,807,023)	-	(2,807,023)	-	-
<u>(29,300,939)</u>	<u>-</u>	<u>(29,300,939)</u>	<u>-</u>	<u>-</u>
-	1,799,592	1,799,592	-	-
-	345,862	345,862	-	-
-	159,992	159,992	-	-
<u>-</u>	<u>2,305,446</u>	<u>2,305,446</u>	<u>-</u>	<u>-</u>
(29,300,939)	2,305,446	(26,995,493)	-	-
			(294,524)	-
			-	(1,500,856)
22,332,142	-	22,332,142	-	-
3,177,165	-	3,177,165	-	-
8,865,087	-	8,865,087	640,220	2,216,272
840,967	-	840,967	-	-
120,644	99,713	220,357	2,064	14,129
794,454	-	794,454	-	-
2,266,818	(2,266,818)	-	-	-
<u>38,397,277</u>	<u>(2,167,105)</u>	<u>36,230,172</u>	<u>642,284</u>	<u>2,230,401</u>
9,096,338	138,341	9,234,679	347,760	729,545
97,354,680	67,473,650	164,828,330	266,669	296,705
(3,501,428)	(361,288)	(3,862,716)	-	(54,500)
<u>93,853,252</u>	<u>67,112,362</u>	<u>160,965,614</u>	<u>266,669</u>	<u>242,205</u>
<u>\$ 102,949,590</u>	<u>\$ 67,250,703</u>	<u>\$ 170,200,293</u>	<u>\$ 614,429</u>	<u>\$ 971,750</u>

**CITY OF DESOTO, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2015

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and investments	\$ 18,365,879	\$ 2,816,663	\$ 11,369,694	\$ 32,552,236
Receivables, net:				
Taxes	1,830,037	206,238	93,935	2,130,210
Due from other governments	136,264	-	52,739	189,003
Accounts and other	2,291,200	3,636	102,287	2,397,123
Inventories	44,262	-	-	44,262
Note receivable	-	1,535,000	-	1,535,000
<b>Total Assets</b>	<b>\$ 22,667,642</b>	<b>\$ 4,561,537</b>	<b>\$ 11,618,655</b>	<b>\$ 38,847,834</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 845,900	\$ -	\$ 845,884	\$ 1,691,784
Accrued liabilities	1,454,069	-	60,414	1,514,483
Unearned revenues	89,860	-	6,125	95,985
<b>Total Liabilities</b>	<b>2,389,829</b>	<b>-</b>	<b>912,423</b>	<b>3,302,252</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	1,365,499	1,732,218	-	3,097,717
<b>Total Deferred Inflows</b>	<b>1,365,499</b>	<b>1,732,218</b>	<b>-</b>	<b>3,097,717</b>
<b>Fund Balances:</b>				
<b>    Nonspendable:</b>				
Inventories	44,262	-	-	44,262
<b>    Restricted:</b>				
Debt service	-	2,829,319	-	2,829,319
Street improvements	-	-	3,971,537	3,971,537
Public safety	-	-	1,275,472	1,275,472
Economic development	-	-	1,339,552	1,339,552
<b>    Committed:</b>				
Public health	-	-	18,387	18,387
Development activities	-	-	240,997	240,997
<b>    Assigned:</b>				
Capital projects	-	-	3,860,287	3,860,287
<b>    Unassigned</b>	18,868,052	-	-	18,868,052
<b>Total Fund Balances</b>	<b>18,912,314</b>	<b>2,829,319</b>	<b>10,706,232</b>	<b>32,447,865</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 22,667,642</b>	<b>\$ 4,561,537</b>	<b>\$ 11,618,655</b>	<b>\$ 38,847,834</b>

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
*September 30, 2015*

**Total fund balance, governmental funds** \$ 32,447,865

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. 136,380,906

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds and certificates of obligation payable	(61,402,817)
Capital leases payable	(770,403)
Compensated absences	(4,478,989)
Accrued interest payable	(327,900)
Unamortized premium on bonds	(3,685,288)

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 3,097,717

Deferred gain on refunding	(284,295)
Deferred loss on refunding	798,528

Certain other long-term assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Investment in joint venture	940,079
Net pension liability	(1,416,181)
Deferred outflows and inflows of resources related to the net pension liability	<u>1,650,368</u>

**Net Position of Governmental Activities in the Statement of Net Position** \$ 102,949,590

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*For the Year Ended September 30, 2015*

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Property taxes	\$ 15,725,007	\$ 6,793,998	\$ -	\$ 22,519,005
Sales taxes	8,903,909	-	-	8,903,909
Franchise fees and other	3,138,343	-	-	3,138,343
Hotel occupancy tax	-	-	840,967	840,967
Fines and forfeitures	1,576,625	-	74,980	1,651,605
Licenses and permits	1,301,283	-	-	1,301,283
Intergovernmental	535,030	355,031	1,505,829	2,395,890
Charges for services	2,597,826	-	23,425	2,621,251
Investment earnings	96,935	4,861	18,848	120,644
Recreation services	731,396	-	-	731,396
Miscellaneous	196,796	-	130,624	327,420
<b>Total Revenues</b>	<b>34,803,150</b>	<b>7,153,890</b>	<b>2,594,673</b>	<b>44,551,713</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	853,372	-	380,771	1,234,143
Public safety:				
Police	8,678,861	-	1,137,292	9,816,153
Fire	7,057,140	-	24	7,057,164
Development services	4,408,179	-	527,686	4,935,865
Financial services	330,494	-	-	330,494
Municipal court	546,037	-	38,486	584,523
Information technology	474,937	-	-	474,937
Human resources	329,166	-	-	329,166
Parks and recreation	3,069,752	-	60,895	3,130,647
Library services	886,474	-	-	886,474
Non-departmental	4,105,351	-	-	4,105,351
<b>Debt service:</b>				
Principal	318,638	4,547,664	-	4,866,302
Interest and other charges	20,143	2,424,102	143,334	2,587,579
<b>Capital outlay</b>	<b>572,394</b>	<b>-</b>	<b>1,781,024</b>	<b>2,353,418</b>
<b>Total Expenditures</b>	<b>31,650,938</b>	<b>6,971,766</b>	<b>4,069,512</b>	<b>42,692,216</b>
Excess (deficiency) of revenues over expenditures	3,152,212	182,124	(1,474,839)	1,859,497
<b>Other Financing Sources (Uses)</b>				
Issuance of long-term debt	-	-	6,200,000	6,200,000
Capital lease	518,947	-	-	518,947
Sale of capital assets	48,011	-	-	48,011
Premium on issuance of bonds	-	-	452,728	452,728
Transfers in	2,297,867	115,125	569,692	2,982,684
Transfers out	(542,787)	-	(173,079)	(715,866)
<b>Total Other Financing Sources (Uses)</b>	<b>2,322,038</b>	<b>115,125</b>	<b>7,049,341</b>	<b>9,486,504</b>
Net change in fund balances	5,474,250	297,249	5,574,502	11,346,001
<b>Fund balances - beginning</b>	<b>13,438,064</b>	<b>2,532,070</b>	<b>5,131,730</b>	<b>21,101,864</b>
<b>Fund balances - ending</b>	<b>\$ 18,912,314</b>	<b>\$ 2,829,319</b>	<b>\$ 10,706,232</b>	<b>\$ 32,447,865</b>

See notes to the financial statements.

**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, 2015*

Net change in fund balances - total governmental funds: \$ 11,346,001

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 for the period.

Capital outlay	2,879,904
Depreciation expense	(7,034,192)

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.

Unavailable tax and emergency management revenues	(278,697)
Change in equity interest of joint venture	(130,949)

Governmental funds report proceeds from long-term debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt service principal	4,866,302
Proceeds from issuance of long-term debt	(6,718,947)

Pension contributions are treated as expenditures in the fund based financial statements, but are treated as reductions in the City's net pension liability in the statement of net position. This amount is the difference between pension contributions and net pension expense (revenue) for the current fiscal year.

4,333,959

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:

(Increase) decrease in accrued interest	(16,093)
(Increase) decrease in compensated absences	(23,327)
Amortization of deferred loss on refunding	(87,335)
Amortization of deferred gain on refunding	28,430
Amortization/accretion of premium on bonds	(68,718)

<b>Change in net position of governmental activities</b>	<b>\$ 9,096,338</b>
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See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
*September 30, 2015*

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Public Utility</b>	<b>Drainage</b>	<b>Sanitation</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and investments	\$ 18,735,947	\$ 2,098,076	\$ 1,842,310	\$ 22,676,333
Accounts receivable, net	2,947,231	162,302	464,898	3,574,431
Inventories	5,343	-	-	5,343
<b>Total current assets</b>	<b>21,688,521</b>	<b>2,260,378</b>	<b>2,307,208</b>	<b>26,256,107</b>
<b>Non-current assets</b>				
<b>Capital assets:</b>				
Land	583,160	341,196	320,087	1,244,443
Construction in progress	1,449,733	77,978	-	1,527,711
Improvements	9,524,634	5,002,363	548,503	15,075,500
Water and sewer systems	83,804,506	-	-	83,804,506
Drainage systems	-	12,860,315	-	12,860,315
Equipment and furniture	1,549,590	81,587	231,585	1,862,762
Accumulated depreciation	(48,234,871)	(6,807,987)	(316,259)	(55,359,117)
<b>Total non-current assets</b>	<b>48,676,752</b>	<b>11,555,452</b>	<b>783,916</b>	<b>61,016,120</b>
<b>Total Assets</b>	<b>70,365,273</b>	<b>13,815,830</b>	<b>3,091,124</b>	<b>87,272,227</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pension related	162,400	25,800	22,700	210,900
Deferred loss on bond refunding	-	83,447	-	83,447
<b>Total Deferred Outflows of Resources</b>	<b>162,400</b>	<b>109,247</b>	<b>22,700</b>	<b>294,347</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	855,975	145,490	311,109	1,312,574
Accrued liabilities	124,105	13,107	11,612	148,824
Accrued interest	62,985	18,923	-	81,908
Customer deposits	1,430,983	-	-	1,430,983
Compensated absences	63,470	13,383	8,205	85,058
Bonds payable	645,000	312,574	-	957,574
<b>Total Current Liabilities</b>	<b>3,182,518</b>	<b>503,477</b>	<b>330,926</b>	<b>4,016,921</b>
<b>Non-current Liabilities</b>				
Compensated absences	190,404	40,147	24,613	255,164
Bonds payable	12,710,579	3,145,307	-	15,855,886
Net pension liability	108,800	17,300	15,400	141,500
<b>Total Non-current Liabilities</b>	<b>13,009,783</b>	<b>3,202,754</b>	<b>40,013</b>	<b>16,252,550</b>
<b>Total Liabilities</b>	<b>16,192,301</b>	<b>3,706,231</b>	<b>370,939</b>	<b>20,269,471</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pension related	35,700	5,700	5,000	46,400
<b>Net Position</b>				
Net investment in capital assets	42,255,464	9,052,067	783,916	52,091,447
Unrestricted	12,044,208	1,161,079	1,953,969	15,159,256
<b>Total Net Position</b>	<b>\$ 54,299,672</b>	<b>\$ 10,213,146</b>	<b>\$ 2,737,885</b>	<b>\$ 67,250,703</b>

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2015*

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Public Utility</b>	<b>Drainage</b>	<b>Sanitation</b>	<b>Total</b>
<b>Revenues</b>				
Charges for services	\$ 17,849,524	\$ 1,501,251	\$ 4,003,031	\$ 23,353,806
<b>Total Revenues</b>	<u>17,849,524</u>	<u>1,501,251</u>	<u>4,003,031</u>	<u>23,353,806</u>
<b>Operating Expenses</b>				
Personnel costs	1,400,240	217,664	199,189	1,817,093
Water supply	4,110,802	-	-	4,110,802
Wastewater treatment	4,713,080	-	-	4,713,080
Refuse collection	-	-	2,868,226	2,868,226
Administrative charges	1,312,499	102,673	500,000	1,915,172
Contractual services	133,899	17,852	143,124	294,875
Repairs and maintenance	695,862	10,991	30,949	737,802
Materials and supplies	172,355	6,285	29,004	207,644
Other	249,429	7,060	808	257,297
Depreciation	2,775,370	681,245	68,904	3,525,519
<b>Total Operating Expenses</b>	<u>15,563,536</u>	<u>1,043,770</u>	<u>3,840,204</u>	<u>20,447,510</u>
Operating income (loss)	<u>2,285,988</u>	<u>457,481</u>	<u>162,827</u>	<u>2,906,296</u>
<b>Non-Operating Revenues (Expenses)</b>				
Investment earnings	85,363	5,957	8,393	99,713
Interest expense	(486,396)	(111,619)	(2,835)	(600,850)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(401,033)</u>	<u>(105,662)</u>	<u>5,558</u>	<u>(501,137)</u>
Income (loss) before transfers	1,884,955	351,819	168,385	2,405,159
Transfers out	<u>(2,266,818)</u>	<u>-</u>	<u>-</u>	<u>(2,266,818)</u>
Change in net position	(381,863)	351,819	168,385	138,341
<b>Total Net Position - beginning as originally reported</b>	54,957,506	9,909,196	2,606,948	67,473,650
Change in accounting principles	<u>(275,971)</u>	<u>(47,869)</u>	<u>(37,448)</u>	<u>(361,288)</u>
<b>Net position, beginning as restated</b>	<u>54,681,535</u>	<u>9,861,327</u>	<u>2,569,500</u>	<u>67,112,362</u>
<b>Total Net Position - ending</b>	<u>\$ 54,299,672</u>	<u>\$ 10,213,146</u>	<u>\$ 2,737,885</u>	<u>\$ 67,250,703</u>

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2015*

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Public Utility</b>	<b>Drainage</b>	<b>Sanitation</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 17,379,145	\$ 1,488,803	\$ 3,984,686	\$ 22,852,634
Payments to suppliers	(11,264,547)	(12,503)	(3,569,674)	(14,846,724)
Payments to employees	(2,046,146)	(246,684)	(240,567)	(2,533,397)
<b>Net cash provided (used) by operating activities</b>	<u>4,068,452</u>	<u>1,229,616</u>	<u>174,445</u>	<u>5,472,513</u>
<b>Cash flows from noncapital financing activities</b>				
Interfund advances	-	-	(65,160)	(65,160)
Transfers out to other funds	(2,266,818)	-	-	(2,266,818)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(2,266,818)</u>	<u>-</u>	<u>(65,160)</u>	<u>(2,331,978)</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of property, plant and equipment	(814,884)	(374,330)	-	(1,189,214)
Principal paid on long-term debt	(625,000)	(512,336)	-	(1,137,336)
Interest paid on long-term debt	(486,396)	(142,990)	(2,835)	(632,221)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,926,280)</u>	<u>(1,029,656)</u>	<u>(2,835)</u>	<u>(2,958,771)</u>
<b>Cash flows from investing activities</b>				
Interest received	85,363	5,221	8,392	98,976
<b>Net cash provided (used) by investing activities</b>	<u>85,363</u>	<u>5,221</u>	<u>8,392</u>	<u>98,976</u>
Net increase (decrease) in cash and cash equivalents	(39,283)	205,181	114,842	280,740
<b>Cash and cash equivalents, beginning</b>	<u>18,775,230</u>	<u>1,892,895</u>	<u>1,727,468</u>	<u>22,395,593</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 18,735,947</u>	<u>\$ 2,098,076</u>	<u>\$ 1,842,310</u>	<u>\$ 22,676,333</u>

See notes to the financial statements.

(continued)

**CITY OF DESOTO, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS (continued)**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2015*

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Public Utility</b>	<b>Drainage</b>	<b>Sanitation</b>	<b>Total</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 2,285,988	\$ 457,481	\$ 162,827	\$ 2,906,296
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	2,775,370	681,245	68,904	3,525,519
Change in assets and liabilities:				
Decrease (increase) in customer receivable	(502,264)	(12,448)	(18,345)	(533,057)
Decrease (increase) in inventory	1,668	-	-	1,668
Increase (decrease) in accounts payable	106,844	133,970	2,865	243,679
Increase (decrease) in accrued liabilities	14,867	(1,612)	(428)	12,827
Increase (decrease) in customer deposits	31,885	-	-	31,885
Increase (decrease) in compensated absences	11,093	2,177	4,509	17,779
Net pension liability/ net pension obligation	(530,299)	(11,097)	(28,187)	(569,583)
Pension related deferred inflows	35,700	5,700	5,000	46,400
Pension related deferred outflows	(162,400)	(25,800)	(22,700)	(210,900)
<b>Total adjustments</b>	<b>1,782,464</b>	<b>772,135</b>	<b>11,618</b>	<b>2,566,217</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 4,068,452</b>	<b>\$ 1,229,616</b>	<b>\$ 174,445</b>	<b>\$ 5,472,513</b>

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
*September 30, 2015*

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and investments	\$ 582,751
<b>Total assets</b>	<u>582,751</u>
<b>Liabilities</b>	
Due to Southwest Regional Communications Center	<u>582,751</u>
<b>Total liabilities</b>	<u>\$ 582,751</u>

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Year Ended September 30, 2015*

**Note 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:

**A. 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.

**CITY OF DESOTO, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**A. Reporting Entity (continued)**

**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

**B. 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.

**CITY OF DESOTO, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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 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:

**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.

The City reports the following major proprietary funds:

**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 government 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.

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.

**CITY OF DESOTO, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

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.

The *agency funds* are used to account for resources held for others in a custodial capacity. The most significant of these funds are as follows:

- Southwest Regional Communications Center Agency Fund - used to account for cash and investments held on behalf of the Southwest Regional Communications Center joint project.

As a general rule, except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers for goods or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 operating 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.

Trust funds employ the same economic resources measurement focus and accrual basis of accounting as described for proprietary funds. Since agency funds report only assets and liabilities, they have no measurement focus.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

**CITY OF DESOTO, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

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.

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance**

***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.

**CITY OF DESOTO, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)**

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, 2015, the City had a tax rate of \$.7574 per \$100, of which \$.5303 was allocated for general government, and \$.2271 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, 2015.

**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."

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)**

**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:

Asset	Years
Infrastructure, water and sewer system, and water line replacements	10-50
Buildings	32
Equipment and furniture	3-10
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.

**CITY OF DESOTO, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)**

**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 reporting period and thus, will not be recognized as an outflow of resources (expense) until that time. The City has two items that qualify for reporting in this category.

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

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 reporting period and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes and EMS services arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)**

- Deferred inflows of resources for pension activities - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	<b>General</b>	<b>Debt Service</b>	<b>Total</b>
Property taxes	\$ 442,839	\$ 197,218	\$ 640,057
Court fines and fees receivable	390,816	-	390,816
Ambulance	491,284	-	491,284
Alarm permits	40,560	-	40,560
Note receivable	-	1,535,000	1,535,000
<b>Total</b>	<b>\$ 1,365,499</b>	<b>\$ 1,732,218</b>	<b>\$ 3,097,717</b>

**Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefits Payments and refunds are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

**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.

**CITY OF DESOTO, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)**

- 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. The City Council delegates the authority for determining this intent to the City Manager. Assignments are made at the City Manager's discretion, but generally represent items for which specific funds have been informally dedicated internally. This classification also includes the remaining positive fund balance for all governmental funds except the General Fund.
- 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 deferred outflows of resources and liabilities and deferred inflows of resources. 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. 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.

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2. Cash and Investments**

The City's investments at September 30, 2015, are as follows:

	Cash on Hand and Deposits	Municipal Bonds	Local Government Investment Pools	US Gov't & Agency Securities	Certificates of Deposit	Total
<b>Governmental Activities:</b>						
General Fund	\$ 8,475,065	\$ 1,042,701	\$ -	\$ 948,113	\$ 7,900,000	\$ 18,365,879
Debt Service Fund	85,461	-	171,178	-	2,560,024	2,816,663
Aggregate Remaining	4,483,912	-	5,585,782	-	1,300,000	11,369,694
<b>Total Governmental Activities</b>	<u>13,044,438</u>	<u>1,042,701</u>	<u>5,756,960</u>	<u>948,113</u>	<u>11,760,024</u>	<u>32,552,236</u>
<b>Business-type Activities:</b>						
Public Utility	5,671,574	-	2,464,373	-	10,600,000	18,735,947
Drainage	1,447,589	-	50,487	-	600,000	2,098,076
Sanitation	1,542,310	-	-	-	300,000	1,842,310
<b>Total Business-type Activities</b>	<u>8,661,473</u>	<u>-</u>	<u>2,514,860</u>	<u>-</u>	<u>11,500,000</u>	<u>22,676,333</u>
<b>Fiduciary Funds:</b>						
Southwest Regional Communications Center	482,751	-	-	-	100,000	582,751
<b>Total Primary Government</b>	<u>22,188,662</u>	<u>1,042,701</u>	<u>8,271,820</u>	<u>948,113</u>	<u>23,360,024</u>	<u>55,811,320</u>
<b>Component Units:</b>						
Desoto Parks Development Corporation	378,162	-	8,040	-	300,000	686,202
Desoto Economic Development Corporation	2,165,638	-	-	-	750,000	2,915,638
<b>Total Component Units</b>	<u>2,543,800</u>	<u>-</u>	<u>8,040</u>	<u>-</u>	<u>1,050,000</u>	<u>3,601,840</u>
<b>Total</b>	<u>\$ 24,732,462</u>	<u>\$ 1,042,701</u>	<u>\$ 8,279,860</u>	<u>\$ 948,113</u>	<u>\$ 24,410,024</u>	<u>\$ 59,413,160</u>

**Credit Risk**

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

<b>Investment Type:</b>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Percentage of Investments</u>
<b>Local Government Investment Pools:</b>			
TexPool	\$ 213,690	AAAm	0.62%
Texas CLASS	8,066,170	AAAm	23.26%
<b>Total Local Government Investment Pools</b>	<u>8,279,860</u>		<u>23.88%</u>
<b>Investment Securities:</b>			
Federal Home Loan Bank	948,113	AA+	2.72%
Municipal Bonds- Dallas County Schools	1,042,701	Aa3	3.01%
Certificates of Deposit	24,410,024	N/A	70.39%
<b>Total Investment Securities</b>	<u>26,400,838</u>		<u>76.12%</u>
	<u>\$ 34,680,698</u>		<u>100.00%</u>

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2. Cash and Investments (continued)**

***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.

The weighted average maturity (WAM) of the City's investments follows:

	<u>Fair Market Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Percentage of Investments</u>
<b>Governmental Activities:</b>			
Certificates of deposit	\$ 11,760,024	13	33.91%
<b>Investments:</b>			
Local Government Investment Pools:			
TexPool	205,636	40	0.59%
Texas CLASS	5,551,324	62	16.01%
<b>Total Local Government Investment Pools</b>	<u>5,756,960</u>		<u>16.60%</u>
<b>Investment Securities:</b>			
Municipal Bonds	1,042,701	428	3.01%
US Gov't & Agency Securities	948,113	420	2.73%
<b>Total Investment Securities</b>	<u>1,990,814</u>		<u>5.74%</u>
<b>Total Governmental Activities</b>	<u>19,507,798</u>	72	<u>56.25%</u>
<b>Business-type Activities:</b>			
Certificates of deposit	11,500,000	13	33.16%
<b>Investments:</b>			
Local Government Investment Pools:			
Texas CLASS	2,514,860	62	7.25%
<b>Total Local Government Investment Pools</b>	<u>2,514,860</u>		<u>7.25%</u>
<b>Total Business-type Activities</b>	<u>14,014,860</u>	22	<u>40.41%</u>
<b>Fiduciary Funds:</b>			
Certificates of deposit	100,000	13	0.29%
<b>Investments:</b>			
<b>Component Units:</b>			
Certificates of deposit	1,050,000	13	3.03%
<b>Investments:</b>			
Local Government Investment Pools:			
TexPool	8,040	40	0.02%
<b>Total Local Government Investment Pools</b>	<u>8,040</u>		<u>0.02%</u>
<b>Total Component Units Funds</b>	<u>1,058,040</u>	13	<u>3.05%</u>
 <b>Total</b>	 <u>\$ 34,680,698</u>	 37	 <u>100.00%</u>

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2. Cash and Investments**

**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, 2015. The City reported bank deposits in the amount of \$20,861,182 and the book balances totaled \$20,698,573 at September 30, 2015.

As of September 30, 2015, all of DEDC's and DPDC's deposits were fully insured by FDIC insurance or collateralized.

**Note 3. Receivables**

Receivables at September 30, 2015, for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Major Funds</u>		<u>Nonmajor Governmental</u>	<u>Total</u>
	<u>General</u>	<u>Debt Service</u>		
<b>Receivables:</b>				
Property taxes	\$ 515,320	\$ 228,952	\$ -	\$ 744,272
Sales tax	1,366,432	-	-	1,366,432
Hotel occupancy tax	-	-	93,935	93,935
Due from other governments	136,264	-	52,739	189,003
Court fines	3,908,157	-	-	3,908,157
Ambulance	4,355,022	-	-	4,355,022
Franchise fees	851,316	-	-	851,316
Alarm permits	188,335	-	-	188,335
Other	215,479	3,636	102,287	321,402
Gross receivables	11,536,325	232,588	248,961	12,017,874
Less: allowance for uncollectibles	(7,278,824)	(22,714)	-	(7,301,538)
<b>Net total receivables</b>	<u>\$ 4,257,501</u>	<u>\$ 209,874</u>	<u>\$ 248,961</u>	<u>\$ 4,716,336</u>
	<u>Proprietary Funds</u>			
	<u>Public Utility</u>	<u>Drainage</u>	<u>Sanitation</u>	<u>Total</u>
Customer accounts	\$ 2,900,228	\$ 161,595	\$ 470,519	\$ 3,532,342
Other	87,064	3,394	1,586	92,044
Gross receivables	2,987,292	164,989	472,105	3,624,386
Less allowance for uncollectibles	(40,061)	(2,687)	(7,207)	(49,955)
<b>Total</b>	<u>\$ 2,947,231</u>	<u>\$ 162,302</u>	<u>\$ 464,898</u>	<u>\$ 3,574,431</u>

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 4. Capital Assets**

Capital assets activity for the primary government for the fiscal year ended September 30, 2015, is as follows:

<b>Governmental activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 4,351,903	\$ 370,221	\$ -	\$ 4,722,124
Street/Alley ROW	14,072,949	-	-	14,072,949
Construction in progress	7,893,045	1,951,392	(1,937,295)	7,907,142
<b>Total capital assets, not being depreciated</b>	<b>26,317,897</b>	<b>2,321,613</b>	<b>(1,937,295)</b>	<b>26,702,215</b>
<b>Capital assets, being depreciated:</b>				
Buildings	37,140,764	41,250	550,726	37,732,740
Infrastructure	164,300,972	85,825	985,669	165,372,466
Equipment and furniture	11,624,327	431,216	312,821	12,368,364
<b>Total capital assets, being depreciated</b>	<b>213,066,063</b>	<b>558,291</b>	<b>1,849,216</b>	<b>215,473,570</b>
<b>Less accumulated depreciation for:</b>				
Buildings	12,280,394	992,458	-	13,272,852
Infrastructure	76,898,217	5,235,483	-	82,133,700
Equipment and furniture	9,670,155	806,251	(88,079)	10,388,327
<b>Total accumulated depreciation</b>	<b>98,848,766</b>	<b>7,034,192</b>	<b>(88,079)</b>	<b>105,794,879</b>
Total capital assets - being depreciated	114,217,297	(6,475,901)	1,937,295	109,678,691
<b>Governmental capital assets, net</b>	<b>\$ 140,535,194</b>	<b>\$ (4,154,288)</b>	<b>\$ -</b>	<b>\$ 136,380,906</b>
<b>Business-type activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 945,186	\$ 299,257	\$ -	\$ 1,244,443
Construction in progress	5,992,142	951,271	(5,415,702)	1,527,711
<b>Total capital assets, not being depreciated</b>	<b>6,937,328</b>	<b>1,250,528</b>	<b>(5,415,702)</b>	<b>2,772,154</b>
<b>Capital assets, being depreciated:</b>				
Water and sewer system	78,982,897	-	4,821,609	83,804,506
Drainage system	12,246,244	74,570	539,501	12,860,315
Improvements	15,038,817	36,683	-	15,075,500
Equipment and furniture	1,835,484	102,950	(75,672)	1,862,762
<b>Total capital assets, being depreciated</b>	<b>108,103,442</b>	<b>214,203</b>	<b>5,285,438</b>	<b>113,603,083</b>
<b>Less accumulated depreciation for:</b>				
Water and sewer system	39,623,397	2,466,101	-	42,089,498
Drainage system	3,436,121	511,086	-	3,947,207
Improvements	7,635,229	403,236	-	8,038,465
Equipment and furniture	1,214,525	145,095	(75,673)	1,283,947
<b>Total accumulated depreciation</b>	<b>51,909,272</b>	<b>3,525,518</b>	<b>(75,673)</b>	<b>55,359,117</b>
Total capital assets - being depreciated	56,194,170	(3,311,315)	5,361,111	58,243,966
<b>Business-type capital assets, net</b>	<b>\$ 63,131,498</b>	<b>\$ (2,060,787)</b>	<b>\$ (54,591)</b>	<b>\$ 61,016,120</b>

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 4. Capital Assets (continued)**

Capital assets activity for the discretely presented component units is as follows:

<b>DeSoto Park Development Corporation:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 11,250	\$ -	\$ -	\$ 11,250
<b>Total capital assets, not being depreciated</b>	<b>11,250</b>	<b>-</b>	<b>-</b>	<b>11,250</b>
<b>Capital assets, being depreciated:</b>				
Improvements	5,324,530	-	-	5,324,530
<b>Total capital assets, being depreciated</b>	<b>5,324,530</b>	<b>-</b>	<b>-</b>	<b>5,324,530</b>
<b>Less accumulated depreciation for:</b>				
Improvements	2,873,856	150,707	-	3,024,563
<b>Total accumulated depreciation</b>	<b>2,873,856</b>	<b>150,707</b>	<b>-</b>	<b>3,024,563</b>
Total capital assets - being depreciated	2,450,674	(150,707)	-	2,299,967
<b>DeSoto Park Development Corporation capital assets, net</b>	<b>\$ 2,461,924</b>	<b>\$ (150,707)</b>	<b>\$ -</b>	<b>\$ 2,311,217</b>
<b>DeSoto Economic Development Corporation:</b>				
<b>Capital assets, being depreciated:</b>				
Furniture and equipment	\$ 69,879	\$ -	\$ -	\$ 69,879
<b>Total capital assets, being depreciated</b>	<b>69,879</b>	<b>-</b>	<b>-</b>	<b>69,879</b>
<b>Less accumulated depreciation for:</b>				
Furniture and equipment	69,879	-	-	69,879
<b>Total accumulated depreciation</b>	<b>69,879</b>	<b>-</b>	<b>-</b>	<b>69,879</b>
Total capital assets - being depreciated	-	-	-	-
<b>DeSoto Economic Development Corporation capital assets, net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 4. Capital Assets (continued)**

**Depreciation**

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

	<b>Depreciation Expense</b>
<b>Primary government</b>	
<b>Governmental activities:</b>	
General government	\$ 546,050
Public safety	733,340
Development services	4,794,469
Parks and recreation	809,921
Library services	19,855
Financial services	28,542
Information technology	102,015
<b>Total Governmental activities</b>	<b>7,034,192</b>
<b>Business-type activities:</b>	
Water and sewer	2,775,370
Drainage	681,245
Sanitation	68,903
<b>Total Business-type activities:</b>	<b>3,525,518</b>
<b>Total primary government</b>	<b>\$ 10,559,710</b>

**Construction commitments**

The City has active construction projects as of September 30, 2015. At year end, the City's commitments with contractors were as follows:

<b>Projects</b>	<b>Construction Commitment</b>	<b>Construction in Progress</b>	<b>Remaining Commitment</b>
Street improvements	\$ 9,399,955	\$ 7,907,142	\$ 1,492,813
Drainage	234,165	77,978	156,187
Water and sewer	1,755,607	1,449,733	305,874
<b>Total Commitments</b>	<b>\$ 11,389,727</b>	<b>\$ 9,434,853</b>	<b>\$ 1,954,874</b>

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Liabilities**

Changes in the City's long-term liability activity for the year ended September 30, 2015, are as follows:

	<b>Restated Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Primary Government</b>					
<b>Governmental activities:</b>					
General obligation bonds	\$ 45,570,481	\$ 3,775,000	\$ (3,842,664)	\$ 45,502,817	\$ 4,122,426
Certificates of obligation	14,180,000	2,425,000	(705,000)	15,900,000	860,000
Bond premium	3,616,570	416,293	(347,575)	3,685,288	-
Note payable	233,105	-	(233,105)	-	-
Capital leases	336,989	518,947	(85,533)	770,403	133,968
Compensated absences	4,455,662	23,327	-	4,478,989	1,119,747
<b>Governmental activity</b>					
<b>Long-term liabilities</b>	<b>\$ 68,392,807</b>	<b>\$ 7,158,567</b>	<b>\$ (5,213,877)</b>	<b>\$ 70,337,497</b>	<b>\$ 6,236,141</b>
	<b>Restated Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 2,944,519	\$ -	\$ (457,183)	2,487,183	\$ 257,574
Certificates of obligation	14,550,000	-	(680,000)	13,870,000	700,000
Bond premium	497,835	-	(41,558)	456,277	-
Compensated absences	322,443	17,779	-	340,222	85,056
<b>Business-type activity</b>					
<b>Long-term liabilities</b>	<b>\$ 18,314,797</b>	<b>\$ 17,779</b>	<b>\$ (1,178,741)</b>	<b>\$ 17,153,682</b>	<b>\$ 1,042,630</b>

Changes in the discretely presented component units' long-term liabilities for the year ended September 30, 2015, are as follows:

<b>DeSoto Park Development Corporation</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue refunding bonds	\$ 1,475,000	\$ -	\$ (160,000)	\$ 1,315,000	\$ 165,000
Note payable	1,360,000	-	(190,000)	1,170,000	200,000
<b>Total</b>	<b>\$ 2,835,000</b>	<b>\$ -</b>	<b>\$ (350,000)</b>	<b>\$ 2,485,000</b>	<b>\$ 365,000</b>
<b>DeSoto Economic Development Corporation:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue refunding bonds	\$ 2,210,000	\$ -	\$ (185,000)	\$ 2,025,000	\$ 195,000
Premium on bond issuance	37,176	-	(3,717)	33,459	-
Compensated absences	6,030	4,795	-	10,825	-
Note payable	437,002	-	(72,002)	365,000	15,000
<b>Total</b>	<b>\$ 2,690,208</b>	<b>\$ 4,795</b>	<b>\$ (260,719)</b>	<b>\$ 2,434,284</b>	<b>\$ 210,000</b>

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

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Liabilities (continued)**

**Governmental Activities**

General obligation bonds, certificates of obligation, and notes payable for Governmental Activities outstanding at September 30, 2015, consist of the following individual issues:

<b>General Obligation Bonds:</b>	<b>Interest Rates</b>	<b>Final Maturity Date</b>	<b>Outstanding 09/30/15</b>
2006 General Obligation	2.37 - 4.25%	2/15/26	\$ 4,735,000
2007 General Obligation	4.0 - 4.375%	2/15/27	4,265,000
2008 General Obligation	3.25 - 4.0%	2/15/28	3,550,000
2009 General Obligation & Refunding	3.0 - 4.5%	2/15/29	4,482,817
2011 Refunding	2.0 - 4.0%	2/15/31	935,000
2012 Refunding	3.0 - 5.0%	2/15/25	15,545,000
2013 Refunding	2.0 - 4.0%	2/15/25	8,215,000
2015 General Obligation	2.5 - 4.0%	2/15/30	3,775,000
Total general obligation bonds			<u>45,502,817</u>
 <b>Certificates of Obligation:</b>			
2006 Tax and Revenue	3.75 - 4.25%	2/15/27	330,000
2007 Tax and Revenue	4.0 - 4.375%	2/15/27	1,505,000
2007A Tax and Revenue (Tax exempt)	4.0 - 4.25%	2/15/27	2,885,000
2007A Tax and Revenue (Taxable)	4.0 - 4.5%	2/15/27	2,265,000
2008 Tax and Revenue	2.8 - 4.0%	2/15/28	585,000
2009 Tax and Revenue	3.0 - 4.5%	2/15/29	4,315,000
2011A Tax and Revenue	4.75- 5.75%	2/15/31	790,000
2011B Tax and Revenue	2.0%	2/15/31	800,000
2015 Tax and Revenue	2.5% - 3.5%	2/15/30	2,425,000
Total certificates of obligation			<u>15,900,000</u>
Total bonds and certificates payable			<u>\$ 61,402,817</u>

On June 30, 2015, the City issued \$3,775,000 of General Obligation Bonds, Series 2015 and \$2,425,000 of Combination Tax and Revenue Certificates of Obligations, Series 2015. The interest rate for General Obligation and Certificate of Obligation bonds are 2.5% to 4.0% and 2.5% to 3.5%, respectfully. The proceeds received from the issuances were issued for (i) constructing and improving streets, including sidewalks, railroad crossing, signalization, street lighting, public streetscaping, landscaping, curb and gutter replacements and the acquisition of lands and rights-of-way therefore; (ii) constructing, improving and equipping firefighting facilities; (iii) constructing, improving and equipping park and recreation facilities; (iv) economic development within the area described in the Hampton Road Corridor Redevelopment Plan, including the acquisition of land therefore; and (v) paying costs of professional services including the costs of the issuance of the Bonds.

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Liabilities (continued)**

**Business-Type Activities**

General obligation bonds, certificates of obligation, and notes payable for Business-Type Activities outstanding at September 30, 2015, consist of the following individual issues:

<b>General Obligation Bonds:</b>	<b>Interest Rates</b>	<b>Final Maturity Date</b>	<b>Outstanding 09/30/15</b>
2009 Refunding Bonds	3.0 - 4.5%	2/15/29	\$ 32,183
2012 Refunding Bonds	3.0 - 5.0%	2/15/25	1,970,000
2013 Refunding Bonds	2.0 - 4.0%	2/15/25	485,000
Total general obligation bonds			<u>2,487,183</u>
<b>Certificates of Obligation:</b>			
2006 Tax and Revenue	3.75 - 4.25%	2/15/17	\$ 660,000
2009 Tax and Revenue	3.0 - 4.5%	2/15/29	3,065,000
2010 Tax and Revenue	2.0 - 4.3%	2/15/30	4,025,000
2011B Tax and Revenue	2.0 - 4.0%	2/15/31	2,545,000
2013 Tax and Revenue	2.0 - 3.5%	2/15/33	3,575,000
Total certificates of obligation			<u>13,870,000</u>
Total bonds and certificates			<u><u>\$ 16,357,183</u></u>

**Component Units**

Revenue bonds and notes payable for Governmental Activities outstanding at September 30, 2015, consist of the following individual issues:

<b>DeSoto Park Development Corporation</b>	<b>Interest Rates</b>	<b>Final Maturity Date</b>	<b>Outstanding 09/30/15</b>
Bonds:			
2011 Revenue Refunding Bonds	2.0 - 4.0%	2/15/22	\$ 1,315,000
Notes Payable:			
City of DeSoto -2009 GOs	3.0 - 4.5%	2/15/29	520,000
City of DeSoto - 2012 GOs	3.0 - 5.0%	2/15/25	650,000
Total notes payable			<u>1,170,000</u>
Total bonds and notes payable			<u><u>\$ 2,485,000</u></u>

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Liabilities (continued)**

**Component Units (continued)**

<b>DeSoto Economic Development Corporation</b>	<b>Interest Rates</b>	<b>Final Maturity Date</b>	<b>Outstanding 09/30/15</b>
Bonds:			
2011 Revenue Refunding Bonds	2.0 - 4.0%	2/15/24	\$ 2,025,000
Notes Payable:			
City of DeSoto - 2011A COs	4.75 - 5.75%	2/15/31	<u>365,000</u>
Total bonds and notes payable			<u><u>\$ 2,390,000</u></u>

**Amortization Schedules**

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

**General Obligation Bonds**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 4,122,426	\$ 1,795,784	\$ 257,574	\$ 100,998
2017	4,282,135	1,622,821	257,865	90,952
2018	4,231,800	1,464,920	268,200	80,881
2019	4,416,456	1,303,640	283,544	70,296
2020	4,365,000	1,126,483	280,000	58,075
2021 - 2025	19,915,000	2,827,385	1,140,000	102,000
2026 - 2030	4,170,000	247,938	-	-
	<u>\$ 45,502,817</u>	<u>\$ 10,388,971</u>	<u>\$ 2,487,183</u>	<u>\$ 503,202</u>

**Certificates of Obligation**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 860,000	\$ 677,085	\$ 700,000	\$ 503,759
2017	900,000	632,953	725,000	482,559
2018	1,010,000	593,399	750,000	459,171
2019	1,050,000	550,285	770,000	434,521
2020	1,090,000	505,683	795,000	409,084
2021 - 2025	6,175,000	1,768,283	4,390,000	1,575,581
2026 - 2030	4,665,000	407,846	4,785,000	639,507
2031 - 2033	150,000	3,656	955,000	43,838
	<u>\$ 15,900,000</u>	<u>\$ 5,139,190</u>	<u>\$ 13,870,000</u>	<u>\$ 4,548,020</u>

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Liabilities (continued)**

**Notes Payable**

<b>Fiscal Year</b>	<b>DPDC</b>		<b>DEDC</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	200,000	45,475	\$ 15,000	\$ 19,031
2017	205,000	38,000	15,000	18,319
2018	210,000	29,700	15,000	17,606
2019	225,000	21,000	20,000	16,775
2020	105,000	13,875	20,000	15,825
2021 - 2025	225,000	11,375	105,000	63,944
2026 - 2030	-	-	140,000	30,988
2031 - 2033	-	-	35,000	1,006
	<u>\$ 1,170,000</u>	<u>\$ 159,425</u>	<u>\$ 365,000</u>	<u>\$ 183,494</u>

**Revenue Refunding Bonds**

<b>Fiscal Year</b>	<b>DPDC</b>		<b>DEDC</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 165,000	\$ 46,775	\$ 195,000	\$ 73,513
2017	170,000	41,750	200,000	66,600
2018	180,000	35,600	205,000	59,513
2019	185,000	28,300	215,000	52,163
2020	195,000	20,700	225,000	43,900
2021 - 2025	420,000	17,000	985,000	80,700
	<u>\$ 1,315,000</u>	<u>\$ 190,125</u>	<u>\$ 2,025,000</u>	<u>\$ 376,389</u>

**Capital leases**

The City has entered into lease agreements as lessee for financing the acquisition of various pieces of 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.

The cost of equipment purchased with capital leases (including the new lease entered into in the current fiscal year for \$75,000) is \$492,206, and accumulated depreciation is \$239,360, with a carrying value of \$252,846 as of September 30, 2015.

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5. Long-term Liabilities (continued)**

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, 2015:

Fiscal Year	Amount
2016	\$ 158,370
2017	118,861
2018	118,861
2019	118,861
2020	59,431
2021-2025	297,155
Minimum lease payments	871,539
Less amount representing interest	(101,136)
Total	\$ 770,403

**Note 6. Interfund Balances and Transfers**

**Due to/from Other Funds**

The City had no interfund balance outstanding as of September 30, 2015, is as follows:

**Interfund Transfers**

The composition of interfund transfers for the year ended September 30, 2015, is as follows:

Transfer from	Transfer to	Amount	Purpose
General	Nonmajor governmental	\$ 534,689	Street improvements
	Nonmajor governmental	3	Grant reimbursement
	Debt service	8,095	To fund debt service
Nonmajor governmental	Debt service	107,030	To fund debt service
	General	31,049	Miscellaneous
	Nonmajor governmental	35,000	Public facilities improvements
Public utility	General	2,266,818	PILOT, franchise fees, energy management grant, and maintenance and equipment
		\$ 2,982,684	

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 Employee Retirement System**

*Texas Municipal Retirement System*

**Plan Description and Provisions**

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

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

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

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

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated Service Credit:	100% Repeating
Annuity Increase to retirees:	30% of CPI Repeating
Supplemental death benefit – employees and retirees	Yes

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 Employee Retirement System (continued)**

**Contributions**

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2015, the City made contributions of 11.88% for the months in 2014 and 11.03% for the months in 2015.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

- 1) Decreased repeating COLA from 70% to 30%.
- 2) Increased municipal matching ratio from 1.5 - 1 to 2 - 1.

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

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 Employee Retirement System (continued)**

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 Employee Retirement System (continued)**

**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at 12/31/2013	\$ 100,776,222	\$ 94,166,581	\$ 6,609,641
Changes for the year			
Service Cost	2,763,679	-	2,763,679
Interest (on the Total Pension Liability)	6,674,548	-	6,674,548
Changes of benefit terms	(4,591,077)	-	(4,591,077)
Difference between expected and actual experience	(710,026)	-	(710,026)
Benefit payments, including refunds of employee contributions	(4,432,593)	(4,432,593)	-
Contributions – employer	-	2,324,637	(2,324,637)
Contributions – employee	-	1,388,154	(1,388,154)
Net investment income	-	5,386,759	(5,386,759)
Administrative Expense	-	(56,242)	56,242
Other	-	(4,624)	4,624
Balance at 12/31/2014	<u>\$ 100,480,753</u>	<u>\$ 98,772,672</u>	<u>\$ 1,708,081</u>

**Sensitivity of the Net Pension Liability**

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate	<b>Total</b>	<b>City of DeSoto</b>	<b>DEDC</b>	<b>SWRCC</b>
1% Decrease (6%)	\$ 16,249,150	\$ 14,819,139	\$ 180,306	\$ 1,249,705
Current Single Rate (7%)	1,708,081	1,557,681	19,000	131,400
1% Increase (8%)	(10,223,506)	(9,323,784)	(113,443)	(786,279)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 Employee Retirement System (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the City recognized a negative pension expense or revenue of \$2,981,185. This revenue was largely generated by a combination of changes in benefits that included an increase in the City to employee matching ratio from 1.5 to 1 to 2 to 1 and a decrease in the automatic cost of living increase for retirees from 70% of CPI to 30% of CPI. Under the new reporting standards, this change in benefits is recognized in the year the change occurs.

At September 30, 2015, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in actuarial assumptions and actual experience	\$ -	\$ 510,460
Difference in projected and actual earnings on pension plan investments	879,122	-
Contributions subsequent to the measurement date	1,446,206	-
Total	\$ 2,325,328	\$ 510,460

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,446,206 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the City's financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Net deferred outflows (inflows) of resources</b>
2016	\$ (82,514)
2017	(82,714)
2018	(82,714)
2019	(120,720)
Total	\$ (368,662)

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 Employee Retirement System (continued)**

**Subsequent Event**

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

**Note 8. Postretirement Benefits**

**Supplemental Death Benefits**

The City also 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 2013, 2014 and 2015 are as follows:

Year	Annual Required Contribution	Annual Contribution Made	Percentage of ARC Contributed	Net OPEB Obligation
2013	\$ 3,764	\$ 3,764	100%	\$ -
2014	5,355	5,355	100%	-
2015	6,061	6,061	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.

**CITY OF DESOTO, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 9. 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.

**Note 10. 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 \$4,713,080 for 2015. 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 2015, 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.

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 10. Commitments and Contingencies (continued)**

**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. Neither the City nor the component units listed above are 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, 2015, follows:

Series	DeSoto Industrial Development Authority
2008	\$ 3,613,446
Total	\$ 3,613,446

**DEDC**

As of September 30, 2015, the DEDC had approved several grants totaling approximately \$13,157,390 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:

Fiscal Year	Amount
2016	\$ 946,510
2017	946,510
2018	584,010
2019	334,010
2020	295,610
2021 - 2025	1,478,050
2026 - 2030	1,478,050
2031 - 2035	1,478,050
2036 - 2040	1,478,050
2041 - 2045	1,478,050
2046 - 2050	1,478,050
2051 - 2054	1,182,440
Total	\$ 13,157,390

**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.

**CITY OF DESOTO, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS (continued)*

**Note 11. Joint Ventures**

**Southwest Regional Communications Center**

The Southwest Regional Communications 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 2015, the City contributed \$900,000 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, 2015, is \$517,422. The Center issues separate financial statements available from the City's Financial Department.

**Regional Animal Control Shelter**

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 2015, the City contributed \$170,202 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, 2015, is \$422,657.

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.

**Note 12. Economic Development Grants**

The City is authorized by Article III, Section 52-a of the Texas Constitution and Texas Local Government Code Chapter 380 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City.

In fiscal year 2015, the City, the DeSoto Economic Development Corporation and the DeSoto Park Development Corporation provided a 95 percent sales tax incentive to an e-fulfillment center that located a facility in the City at a taxable value of improvements of approximately \$71,500,000, employed approximately 400 full-time equivalent positions during the year and remitted all sales tax due the City during the year. The current year abatement amounted to for the City, Economic Development Corporation and Park Development Corporation \$1,182,441, \$295,610 and \$98,537, respectfully.

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 13. Prior Period Adjustment**

During the current fiscal year, the City adopted *Governmental Accounting Standards Board (GASB) Statements No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of these standards has resulted in the restatement of the City’s beginning net position for the fiscal year 2015 government-wide and enterprise fund financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of these statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Major Funds</u>			<u>DeSoto Economic Development Corporation</u>
			<u>Public Utility</u>	<u>Drainage</u>	<u>Sanitation</u>	
Beginning Net Position (as previously reported)	\$ 97,354,680	\$ 67,473,650	\$ 54,957,506	\$ 9,909,196	\$ 2,606,948	\$ 296,705
Change in accounting principles						
Beginning Net Pension Liability	(5,483,641)	(549,600)	(423,900)	(68,400)	(57,300)	(72,500)
Pension contributions made after previous measurement date	1,383,869	139,600	108,800	18,200	12,600	18,000
Net Pension Obligation	598,347	48,712	39,129	2,331	7,252	
	<u>(3,501,425)</u>	<u>(361,288)</u>	<u>(275,971)</u>	<u>(47,869)</u>	<u>(37,448)</u>	<u>(54,500)</u>
<b>Beginning Net Position (as restated)</b>	<b>\$ 93,853,255</b>	<b>\$ 67,112,362</b>	<b>\$ 54,681,535</b>	<b>\$ 9,861,327</b>	<b>\$ 2,569,500</b>	<b>\$ 242,205</b>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
*For the Year Ended September 30, 2015*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual GAAP Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 15,804,433	\$ 15,804,433	\$ 15,725,007	\$ (79,426)
Sales taxes	5,896,000	5,896,000	8,903,909	3,007,909
Franchise fees and other	2,800,000	2,800,000	3,138,343	338,343
Fines and forfeitures	1,109,000	1,109,000	1,576,625	467,625
Licenses and permits	877,650	877,650	1,301,283	423,633
Intergovernmental	552,046	560,458	535,030	(25,428)
Charges for services	1,992,200	1,992,200	2,597,826	605,626
Investment earnings	56,013	56,013	96,935	40,922
Recreation services	691,050	691,050	731,396	40,346
Miscellaneous	178,730	213,326	196,796	(16,530)
<b>Total Revenues</b>	<u>29,957,122</u>	<u>30,000,130</u>	<u>34,803,150</u>	<u>4,803,020</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,623,481	1,664,772	853,372	811,400
Public safety:				
Police	8,727,864	8,750,114	8,678,861	71,253
Fire	7,165,608	7,198,662	7,057,140	141,522
Development services	4,919,273	4,836,836	4,408,179	428,657
Financial services	1,109,960	1,116,283	330,494	785,789
Municipal court	523,016	532,778	546,037	(13,259)
Information technology	768,957	823,527	474,937	348,590
Human resources	511,078	516,906	329,166	187,740
Parks and recreation	3,145,121	3,263,070	3,069,752	193,318
Library services	957,207	980,740	886,474	94,266
Non-departmental	2,552,570	2,889,510	4,105,351	(1,215,841)
<b>Debt service:</b>				
Principal	418,300	358,300	318,638	39,662
Interest and other charges	20,000	20,000	20,143	(143)
<b>Capital outlay</b>	<u>636,800</u>	<u>1,506,992</u>	<u>572,394</u>	<u>934,598</u>
<b>Total Expenditures</b>	<u>33,079,235</u>	<u>34,458,490</u>	<u>31,650,938</u>	<u>2,807,552</u>
Excess (deficiency) of revenues over expenditures	<u>(3,122,113)</u>	<u>(4,458,360)</u>	<u>3,152,212</u>	<u>7,610,572</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of long-term debt	-	518,947	518,947	-
Sale of capital assets	90,000	90,000	48,011	(41,989)
Transfers in	4,169,155	4,169,155	2,297,867	(1,871,288)
Transfers out	(542,784)	(542,784)	(542,787)	(3)
<b>Total Other Financing Sources (Uses)</b>	<u>3,716,371</u>	<u>4,235,318</u>	<u>2,322,038</u>	<u>(1,913,280)</u>
Net change in fund balances	594,258	(223,042)	5,474,250	5,697,292
<b>Fund balances - beginning</b>	<u>13,438,064</u>	<u>13,438,064</u>	<u>13,438,064</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 14,032,322</u>	<u>\$ 13,215,022</u>	<u>\$ 18,912,314</u>	<u>\$ 5,697,292</u>

**CITY OF DESOTO, TEXAS**  
**NOTES TO BUDGETARY SCHEDULE**  
*September 30, 2015*

**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) 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 2015.
- 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, 2015, expenditures exceeded appropriations in the municipal court and non-departmental functions for the General Fund by \$13,259 and \$1,215,841 respectively.

These excess expenditures were funded by greater than anticipated revenues in the General Fund.

**CITY OF DESOTO, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Plan year ended December 31, 2014**

	<b>2014</b>
A. Total pension liability	
1. Service Cost	\$ 2,763,679
2. Interest (on the Total Pension Liability)	6,674,548
3. Changes of benefit terms	(4,591,077)
4. Difference between expected and actual experience	(710,026)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(4,432,593)
7. Net change in total pension liability	(295,469)
8. Total pension liability – beginning	100,776,222
9. Total pension liability – ending	100,480,753
 B. Plan fiduciary net position	
1. Contributions – employer	2,324,637
2. Contributions – employee	1,388,154
3. Net investment income	5,386,759
4. Benefit payments, including refunds of employee contributions	(4,432,593)
5. Administrative Expense	(56,242)
6. Other	(4,624)
7. Net change in plan fiduciary net position	4,606,091
8. Plan fiduciary net position – beginning	94,166,581
9. Plan fiduciary net position – ending	98,772,672
 C. Net pension liability [A.9 – B.9]	\$ 1,708,081
 D. Plan fiduciary net position as a percentage of the total pension liability	98%
 E. Plan's net pension liability as a percentage of covered-employee payroll	9%
F. Plan's covered-employee payroll (measurement year)	\$ 19,817,910
Primary Government's proportional share	
Primary Government's proportion of the net pension liability	90.2%
Primary Government's proportionate share of the net pension liability	\$ 1,540,781
Primary Government's covered-employee payroll (measurement year)	\$ 17,876,822
Primary Government's proportionate share of the net pension liability as a percentage of it's covered-employee paryoll	9%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

**CITY OF DESOTO, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
*Last Five Fiscal Years <sup>(1)</sup>*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially required contributions	\$ 2,245,773	\$ 2,332,905	\$ 2,284,542	\$ 2,381,834	\$ 2,785,993
Contributions in relation to the actuarially required contributions	<u>2,245,773</u>	<u>2,332,905</u>	<u>2,284,542</u>	<u>2,381,834</u>	<u>2,785,993</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 20,202,038	\$ 19,678,012	\$ 19,145,770	\$ 18,402,485	\$ 18,354,272
Contributions as a percentage of covered-employee payroll	11.1%	11.9%	11.9%	12.9%	15.2%

Note: Ten years of data should be presented in this schedule but data was unavailable prior to 2011.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

- 1) Decreased repeating COLA from 70% to 30%.
- 2) Increased municipal matching ratio from 1.5 - 1 to 2 - 1.

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# NONMAJOR GOVERNMENTAL 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* 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.

*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.

*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.

*Fire Station Bond Project and Park Improvement Funds* – These funds account for the constructing, improving and equipping fire-fighting facilities and equipping park and recreation facilities within the City. General obligation bonds provide the financing.

**CITY OF DESOTO, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
*September 30, 2015*

	<b>Special Revenue Funds</b>			
	<b>Regional Jail</b>	<b>Municipal Court</b>	<b>Police Seized Assets</b>	<b>Police Grants</b>
<b>Assets</b>				
Cash and investments	\$ 358,907	\$ 332,084	\$ 531,567	\$ 36,495
Receivables, net:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Accounts	88,339	-	606	-
<b>Total Assets</b>	<b>\$ 447,246</b>	<b>\$ 332,084</b>	<b>\$ 532,173</b>	<b>\$ 36,495</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,416	\$ 38	\$ 3,172	\$ -
Accrued liabilities	59,580	834	-	-
Unearned revenues	-	-	6,025	-
<b>Total Liabilities</b>	<b>63,996</b>	<b>872</b>	<b>9,197</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>    Restricted:</b>				
Street improvements	-	-	-	-
Public safety	383,250	331,212	522,976	36,495
Economic development	-	-	-	-
<b>    Committed:</b>				
Public health	-	-	-	-
Development	-	-	-	-
<b>    Assigned:</b>				
Capital projects	-	-	-	-
<b>Total Fund Balances</b>	<b>383,250</b>	<b>331,212</b>	<b>522,976</b>	<b>36,495</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 447,246</b>	<b>\$ 332,084</b>	<b>\$ 532,173</b>	<b>\$ 36,495</b>

**Special Revenue Funds**

<b>Homeland Security Grant</b>	<b>Hotel Occupancy Tax</b>	<b>Health Facilities Development Corporation</b>	<b>Housing Finance Corporation</b>	<b>Industrial Development Authority</b>
\$ 1,539	\$ 1,332,641	\$ 18,387	\$ 211,346	\$ 29,080
-	93,935	-	-	-
-	-	-	-	-
-	2,224	-	571	-
<u>\$ 1,539</u>	<u>\$ 1,428,800</u>	<u>\$ 18,387</u>	<u>\$ 211,917</u>	<u>\$ 29,080</u>
\$ -	\$ 89,148	\$ -	\$ -	\$ -
-	-	-	-	-
-	100	-	-	-
<u>-</u>	<u>89,248</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
1,539	-	-	-	-
-	1,339,552	-	-	-
-	-	18,387	-	-
-	-	-	211,917	29,080
-	-	-	-	-
<u>1,539</u>	<u>1,339,552</u>	<u>18,387</u>	<u>211,917</u>	<u>29,080</u>
<u>\$ 1,539</u>	<u>\$ 1,428,800</u>	<u>\$ 18,387</u>	<u>\$ 211,917</u>	<u>\$ 29,080</u>

*(continued)*

**CITY OF DESOTO, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
*September 30, 2015*

**Capital Projects Funds**

	<b>Parks Capital Improvement</b>	<b>Street Improvement</b>	<b>Public Facilities Capital Improvement</b>	<b>Fire Station Bond Project</b>
<b>Assets</b>				
Cash and investments	\$ 134,592	\$ 4,632,413	\$ 1,749,753	\$ 1,000,445
Receivables, net:				
Taxes	-	-	-	-
Due from other governments	-	52,739	-	-
Accounts	-	2,374	4,177	1,998
<b>Total Assets</b>	<b>\$ 134,592</b>	<b>\$ 4,687,526</b>	<b>\$ 1,753,930</b>	<b>\$ 1,002,443</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 715,989	\$ -	\$ 33,121
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>715,989</b>	<b>-</b>	<b>33,121</b>
<b>Fund Balances:</b>				
<b>    Restricted:</b>				
Street improvements	-	3,971,537	-	-
Public safety	-	-	-	-
Economic development	-	-	-	-
<b>    Committed:</b>				
Public health	-	-	-	-
Development	-	-	-	-
<b>    Assigned:</b>				
Capital projects	134,592	-	1,753,930	969,322
<b>Total Fund Balances</b>	<b>134,592</b>	<b>3,971,537</b>	<b>1,753,930</b>	<b>969,322</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 134,592</b>	<b>\$ 4,687,526</b>	<b>\$ 1,753,930</b>	<b>\$ 1,002,443</b>

<u>Park Improvement s</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,000,445	\$ 11,369,694
-	93,935
-	52,739
1,998	102,287
<u>\$ 1,002,443</u>	<u>\$ 11,618,655</u>
\$ -	\$ 845,884
-	60,414
-	6,125
<u>-</u>	<u>912,423</u>
-	3,971,537
-	1,275,472
-	1,339,552
-	18,387
-	240,997
1,002,443	3,860,287
<u>1,002,443</u>	<u>10,706,232</u>
<u>\$ 1,002,443</u>	<u>\$ 11,618,655</u>

*(concluded)*

**CITY OF DESOTO, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2015**

	<b>Special Revenue Funds</b>			
	<b>Regional Jail</b>	<b>Municipal Court</b>	<b>Police Seized Assets</b>	<b>Police Grants</b>
<b>Revenues</b>				
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	74,980	-	-
Intergovernmental	1,050,000	-	448,321	7,489
Charges for services	16,316	-	-	-
Investment earnings	1,225	756	1,020	-
Miscellaneous	1,136	-	-	-
<b>Total Revenues</b>	<b>1,068,677</b>	<b>75,736</b>	<b>449,341</b>	<b>7,489</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety:				
Police	1,033,462	-	94,698	9,132
Fire	-	-	-	-
Development services	-	-	-	-
Municipal court	-	38,486	-	-
Parks and recreation	-	-	-	-
<b>Debt service:</b>				
Interest and other charges	-	-	-	-
<b>Capital outlay</b>	5,561	-	36,260	-
<b>Total Expenditures</b>	<b>1,039,023</b>	<b>38,486</b>	<b>130,958</b>	<b>9,132</b>
Excess (deficiency) of revenues over expenditures	29,654	37,250	318,383	(1,643)
<b>Other Financing Sources (Uses)</b>				
Issuance of long-term debt	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(21,049)	(10,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(21,049)</b>	<b>(10,000)</b>	<b>-</b>	<b>-</b>
Net change in fund balances	8,605	27,250	318,383	(1,643)
<b>Fund balances - beginning</b>	<b>374,645</b>	<b>303,962</b>	<b>204,593</b>	<b>38,138</b>
<b>Fund balances - ending</b>	<b>\$ 383,250</b>	<b>\$ 331,212</b>	<b>\$ 522,976</b>	<b>\$ 36,495</b>

**Special Revenue Funds**

<b>Homeland Security Grant</b>	<b>Hotel Occupancy Tax</b>	<b>Health Facilities Development Corporation</b>	<b>Housing Finance Corporation</b>	<b>Industrial Development Authority</b>
\$ -	\$ 840,967	\$ -	\$ -	\$ -
-	-	-	-	-
19	-	-	-	-
-	7,109	-	-	-
-	4,087	17	902	27
-	-	-	-	-
<u>19</u>	<u>852,163</u>	<u>17</u>	<u>902</u>	<u>27</u>
-	361,860	-	18,911	-
-	-	-	-	-
24	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	43,282	-	-	-
-	133	-	-	-
-	-	-	-	-
<u>24</u>	<u>405,275</u>	<u>-</u>	<u>18,911</u>	<u>-</u>
<u>(5)</u>	<u>446,888</u>	<u>17</u>	<u>(18,009)</u>	<u>27</u>
-	-	-	-	-
-	-	-	-	-
3	-	-	-	-
-	(142,030)	-	-	-
<u>3</u>	<u>(142,030)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2)	304,858	17	(18,009)	27
<u>1,541</u>	<u>1,034,694</u>	<u>18,370</u>	<u>229,926</u>	<u>29,053</u>
<u>\$ 1,539</u>	<u>\$ 1,339,552</u>	<u>\$ 18,387</u>	<u>\$ 211,917</u>	<u>\$ 29,080</u>

*(continued)*

**CITY OF DESOTO, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended September 30, 2015*

	<b>Capital Projects Funds</b>			
	<b>Parks Capital Improvement</b>	<b>Street Improvement</b>	<b>Public Facilities Capital Improvement</b>	<b>Fire Station Bond Project</b>
<b>Revenues</b>				
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	289	8,503	1,132	445
Miscellaneous	76,749	52,739	-	-
<b>Total Revenues</b>	<u>77,038</u>	<u>61,242</u>	<u>1,132</u>	<u>445</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Development services	-	526,486	1,200	-
Municipal court	-	-	-	-
Parks and recreation	17,613	-	-	-
<b>Debt service:</b>				
Interest and other charges	-	69,616	36,793	18,396
<b>Capital outlay</b>	<u>45,174</u>	<u>1,249,257</u>	<u>411,651</u>	<u>33,121</u>
<b>Total Expenditures</b>	<u>62,787</u>	<u>1,845,359</u>	<u>449,644</u>	<u>51,517</u>
Excess (deficiency) of revenues over	<u>14,251</u>	<u>(1,784,117)</u>	<u>(448,512)</u>	<u>(51,072)</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of long-term debt	-	2,425,000	1,887,500	943,750
Premium on issuance of bonds	-	146,151	153,289	76,644
Transfers in	-	534,689	35,000	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>3,105,840</u>	<u>2,075,789</u>	<u>1,020,394</u>
Net change in fund balances	14,251	1,321,723	1,627,277	969,322
<b>Fund balances - beginning</b>	<u>120,341</u>	<u>2,649,814</u>	<u>126,653</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 134,592</u>	<u>\$ 3,971,537</u>	<u>\$ 1,753,930</u>	<u>\$ 969,322</u>

<b>Park Improvements</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ 840,967
-	74,980
-	1,505,829
-	23,425
445	18,848
-	130,624
<u>445</u>	<u>2,594,673</u>
-	380,771
-	1,137,292
-	24
-	527,686
-	38,486
-	60,895
18,396	143,334
-	1,781,024
<u>18,396</u>	<u>4,069,512</u>
<u>(17,951)</u>	<u>(1,474,839)</u>
943,750	6,200,000
76,644	452,728
-	569,692
-	<u>(173,079)</u>
<u>1,020,394</u>	<u>7,049,341</u>
1,002,443	5,574,502
-	5,131,730
<u>\$ 1,002,443</u>	<u>\$ 10,706,232</u>

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# **BUDGETARY COMPARISON SCHEDULES**

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**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**DEBT SERVICE FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Property taxes	\$ 6,853,869	\$ 6,793,998	\$ (59,871)
Intergovernmental	34,744	355,031	320,287
Investment earnings	5,500	4,861	(639)
<b>Total Revenues</b>	<u>6,894,113</u>	<u>7,153,890</u>	<u>259,777</u>
<b>Expenditures</b>			
<b>Debt service:</b>			
Principal	4,525,440	4,547,664	(22,224)
Interest and other charges	2,443,500	2,424,102	19,398
<b>Total Expenditures</b>	<u>6,968,940</u>	<u>6,971,766</u>	<u>(2,826)</u>
Excess (deficiency) of revenues over expenditures	<u>(74,827)</u>	<u>182,124</u>	<u>256,951</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	115,125	115,125	-
<b>Total Other Financing Sources (Uses)</b>	<u>115,125</u>	<u>115,125</u>	<u>-</u>
Net change in fund balances	40,298	297,249	256,951
<b>Fund balances - beginning</b>	<u>2,532,070</u>	<u>2,532,070</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 2,572,368</u>	<u>\$ 2,829,319</u>	<u>\$ 256,951</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**REGIONAL JAIL FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Intergovernmental	\$ 1,050,000	\$ 1,050,000	\$ -
Charges for services	34,000	16,316	(17,684)
Investment earnings	450	1,225	775
Miscellaneous	480	1,136	656
<b>Total Revenues</b>	<u>1,084,930</u>	<u>1,068,677</u>	<u>(16,253)</u>
<b>Expenditures</b>			
<b>Current:</b>			
Public safety:			
Police	1,066,363	1,033,462	32,901
<b>Capital outlay</b>	<u>5,561</u>	<u>5,561</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,071,924</u>	<u>1,039,023</u>	<u>32,901</u>
Excess (deficiency) of revenues over expenditures	<u>13,006</u>	<u>29,654</u>	<u>16,648</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(20,500)</u>	<u>(21,049)</u>	<u>(549)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(20,500)</u>	<u>(21,049)</u>	<u>(549)</u>
Net change in fund balances	(7,494)	8,605	16,099
<b>Fund balances - beginning</b>	<u>374,645</u>	<u>374,645</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 367,151</u>	<u>\$ 383,250</u>	<u>\$ 16,099</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**MUNICIPAL COURT FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Fines and forfeitures	\$ 75,000	\$ 74,980	\$ (20)
Investment earnings	500	756	256
<b>Total Revenues</b>	<u>75,500</u>	<u>75,736</u>	<u>236</u>
<b>Expenditures</b>			
<b>Current:</b>			
Municipal Court	55,000	38,486	16,514
<b>Total Expenditures</b>	<u>55,000</u>	<u>38,486</u>	<u>16,514</u>
Excess (deficiency) of revenues over expenditures	<u>20,500</u>	<u>37,250</u>	<u>16,750</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(10,000)	(10,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balances	10,500	27,250	16,750
<b>Fund balances - beginning</b>	<u>303,962</u>	<u>303,962</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 314,462</u>	<u>\$ 331,212</u>	<u>\$ 16,750</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**POLICE SEIZED ASSETS FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Intergovernmental	\$ 40,500	\$ 448,321	\$ 407,821
Investment earnings	250	1,020	770
<b>Total Revenues</b>	<u>40,750</u>	<u>449,341</u>	<u>408,591</u>
<b>Expenditures</b>			
<b>Current:</b>			
Public safety:			
Police	58,375	94,698	(36,323)
<b>Capital outlay</b>	<u>55,505</u>	<u>36,260</u>	<u>19,245</u>
<b>Total Expenditures</b>	<u>113,880</u>	<u>130,958</u>	<u>(17,078)</u>
Net change in fund balances	(73,130)	318,383	391,513
<b>Fund balances - beginning</b>	<u>204,593</u>	<u>204,593</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 131,463</u>	<u>\$ 522,976</u>	<u>\$ 391,513</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**POLICE GRANTS FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Intergovernmental	\$ 7,489	\$ 7,489	\$ -
<b>Total Revenues</b>	<u>7,489</u>	<u>7,489</u>	<u>-</u>
<b>Expenditures</b>			
<b>Current:</b>			
Public safety:			
Police	<u>7,489</u>	<u>9,132</u>	<u>(1,643)</u>
<b>Total Expenditures</b>	<u>7,489</u>	<u>9,132</u>	<u>(1,643)</u>
Net change in fund balances	-	(1,643)	(1,643)
<b>Fund balances - beginning</b>	<u>38,138</u>	<u>38,138</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 38,138</u>	<u>\$ 36,495</u>	<u>\$ (1,643)</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**HOTEL OCCUPANCY TAX FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Hotel occupancy tax	\$ 580,000	\$ 840,967	\$ 260,967
Charges for services	5,684	7,109	1,425
Investment earnings	600	4,087	3,487
<b>Total Revenues</b>	<u>586,284</u>	<u>852,163</u>	<u>265,879</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	457,421	361,860	95,561
Parks and recreation	49,665	43,282	6,383
<b>Debt service:</b>			
Interest and other charges	-	133	(133)
<b>Total Expenditures</b>	<u>507,086</u>	<u>405,275</u>	<u>101,811</u>
Excess (deficiency) of revenues over expenditures	<u>79,198</u>	<u>446,888</u>	<u>367,690</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(142,030)	(142,030)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(142,030)</u>	<u>(142,030)</u>	<u>-</u>
Net change in fund balances	(62,832)	304,858	367,690
<b>Fund balances - beginning</b>	<u>1,034,694</u>	<u>1,034,694</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 971,862</u>	<u>\$ 1,339,552</u>	<u>\$ 367,690</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**PARKS CAPITAL IMPROVEMENT FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Investment earnings	\$ 300	\$ 289	\$ (11)
Miscellaneous	47,849	76,749	28,900
<b>Total Revenues</b>	<u>48,149</u>	<u>77,038</u>	<u>28,889</u>
<b>Expenditures</b>			
Parks and recreation	17,650	17,613	37
<b>Capital outlay</b>	45,199	45,174	25
<b>Total Expenditures</b>	<u>62,849</u>	<u>62,787</u>	<u>62</u>
Net change in fund balances	(14,700)	14,251	28,951
<b>Fund balances - beginning</b>	120,341	120,341	-
<b>Fund balances - ending</b>	<u>\$ 105,641</u>	<u>\$ 134,592</u>	<u>\$ 28,951</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**STREET IMPROVEMENT FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Investment earnings	\$ 4,500	\$ 8,503	\$ 4,003
Miscellaneous	-	52,739	52,739
<b>Total Revenues</b>	<u>4,500</u>	<u>61,242</u>	<u>56,742</u>
<b>Expenditures</b>			
<b>Current:</b>			
Development services	623,100	526,486	96,614
Interest and other charges	50,000	69,616	(19,616)
<b>Capital outlay</b>	<u>3,631,261</u>	<u>1,249,257</u>	<u>2,382,004</u>
<b>Total Expenditures</b>	<u>4,304,361</u>	<u>1,845,359</u>	<u>2,459,002</u>
Excess (deficiency) of revenues over expenditures	<u>(4,299,861)</u>	<u>(1,784,117)</u>	<u>2,515,744</u>
<b>Other Financing Sources (Uses)</b>			
Issuance of long-term debt	-	2,425,000	2,425,000
Premium on issuance of bonds	-	146,151	146,151
Transfers in	<u>534,689</u>	<u>534,689</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>534,689</u>	<u>3,105,840</u>	<u>2,571,151</u>
Net change in fund balances	(3,765,172)	1,321,723	5,086,895
<b>Fund balances - beginning</b>	<u>2,649,814</u>	<u>2,649,814</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ (1,115,358)</u>	<u>\$ 3,971,537</u>	<u>\$ 5,086,895</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**PUBLIC FACILITIES CAPITAL IMPROVEMENT FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 1,132	\$ 1,132
<b>Total Revenues</b>	<u>-</u>	<u>1,132</u>	<u>1,132</u>
<b>Expenditures</b>			
<b>Current:</b>			
Development services	1,200	1,200	-
<b>Debt service:</b>			
Interest and other charges	-	36,793	(36,793)
<b>Capital outlay</b>	<u>76,574</u>	<u>411,651</u>	<u>(335,077)</u>
<b>Total Expenditures</b>	<u>77,774</u>	<u>449,644</u>	<u>(371,870)</u>
Excess (deficiency) of revenues over expenditures	<u>(77,774)</u>	<u>(448,512)</u>	<u>(370,738)</u>
<b>Other Financing Sources (Uses)</b>			
Issuance of long-term debt	-	1,887,500	1,887,500
Premium on issuance of bonds	-	153,289	153,289
Transfers in	<u>35,000</u>	<u>35,000</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>35,000</u>	<u>2,075,789</u>	<u>2,040,789</u>
Net change in fund balances	(42,774)	1,627,277	1,670,051
<b>Fund balances - beginning</b>	<u>126,653</u>	<u>126,653</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 83,879</u>	<u>\$ 1,753,930</u>	<u>\$ 1,670,051</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**FIRE STATION BOND PROJECT FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 445	\$ 445
<b>Total Revenues</b>	<u>-</u>	<u>445</u>	<u>445</u>
<b>Expenditures</b>			
<b>Current:</b>			
<b>Debt service:</b>			
Interest and other charges	16,359	18,396	(2,037)
<b>Capital outlay</b>	<u>1,000,000</u>	<u>33,121</u>	<u>966,879</u>
<b>Total Expenditures</b>	<u>1,016,359</u>	<u>51,517</u>	<u>964,842</u>
Excess (deficiency) of revenues over expenditures	<u>(1,016,359)</u>	<u>(51,072)</u>	<u>965,287</u>
<b>Other Financing Sources (Uses)</b>			
Issuance of long-term debt	943,750	943,750	-
Premium on issuance of bonds	<u>72,609</u>	<u>76,644</u>	<u>4,035</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,016,359</u>	<u>1,020,394</u>	<u>4,035</u>
Net change in fund balances	-	969,322	969,322
<b>Fund balances - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ 969,322</u>	<u>\$ 969,322</u>

**CITY OF DESOTO, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**PARK IMPROVEMENTS FUND**  
*For the Year Ended September 30, 2015*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 445	\$ 445
<b>Total Revenues</b>	<u>-</u>	<u>445</u>	<u>445</u>
<b>Expenditures</b>			
<b>Current:</b>			
<b>Debt service:</b>			
Interest and other charges	16,359	18,396	(2,037)
<b>Total Expenditures</b>	<u>16,359</u>	<u>18,396</u>	<u>(2,037)</u>
Excess (deficiency) of revenues over expenditures	<u>(16,359)</u>	<u>(17,951)</u>	<u>(1,592)</u>
<b>Other Financing Sources (Uses)</b>			
Issuance of long-term debt	943,750	943,750	-
Premium on issuance of bonds	72,609	76,644	4,035
<b>Total Other Financing Sources (Uses)</b>	<u>1,016,359</u>	<u>1,020,394</u>	<u>4,035</u>
Net change in fund balances	1,000,000	1,002,443	2,443
<b>Fund balances - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 1,000,000</u>	<u>\$ 1,002,443</u>	<u>\$ 2,443</u>

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## **AGENCY FUND**

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
*For the Year Ended September 30, 2015*

	<u>Balance</u> <u>9/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>09/30/15</u>
<b>Southwest Regional</b>				
<b>Communications Center</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 801,995	\$ 2,829,677	\$ 3,048,921	\$ 582,751
<b>Total assets</b>	<u>\$ 801,995</u>	<u>\$ 2,829,677</u>	<u>\$ 3,048,921</u>	<u>\$ 582,751</u>
<b>Liabilities</b>				
Due to Southwest Regional Communications Center	\$ 801,995	\$ 2,829,677	\$ 3,048,921	\$ 582,751
<b>Total liabilities</b>	<u>\$ 801,995</u>	<u>\$ 2,829,677</u>	<u>\$ 3,048,921</u>	<u>\$ 582,751</u>

See notes to financial statements.

**DISCRETELY PRESENTED COMPONENT UNITS  
FUND FINANCIAL STATEMENTS**

**CITY OF DESOTO, TEXAS**  
**BALANCE SHEETS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**September 30, 2015**

	<b>Desoto Parks Development Corporation</b>	<b>Desoto Economic Development Corporation</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and investments	\$ 686,202	\$ 2,915,638
Taxes receivable	113,013	339,040
Notes receivable	-	147,088
Other receivables	1,260	8,454
<b>Total Assets</b>	<u><u>\$ 800,475</u></u>	<u><u>\$ 3,410,220</u></u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 8,805
<b>Total Liabilities</b>	<u>-</u>	<u>8,805</u>
 <b>Fund Balances:</b>		
Restricted for park and park facilities projects	800,475	-
Restricted for economic development	-	3,401,415
<b>Total Fund Balances</b>	<u>800,475</u>	<u>3,401,415</u>
 <b>Total Liabilities and Fund Balances</b>	<u><u>\$ 800,475</u></u>	<u><u>\$ 3,410,220</u></u>
 <b>Total fund balances - component unit</b>	 \$ 800,475	 \$ 3,401,415
 Amounts reported for the component unit in the Statement of Net Position are different because:		
Capital assets are 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 (net of accumulated	2,299,967	-
Effect of Net Pension Liability and related deferred outflows and inflows of resources.	-	3,500
 Some debt related deferred outflows of resources and liabilities do not represent current resources or are not due and payable in the current period and are not included in the fund financial statements. These balances consist of:		
Deferred charges on refunding	-	13,158
Accrued interest	(12,263)	(12,039)
Long-term debt	(2,485,000)	(2,434,284)
 <b>Net position of component unit</b>	 <u><u>\$ 614,429</u></u>	 <u><u>\$ 971,750</u></u>

**CITY OF DESOTO, TEXAS**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
*For the Year Ended September 30, 2015*

	<b>Desoto Parks Development Corporation</b>	<b>Desoto Economic Development Corporation</b>
<b>Revenues</b>		
Sales tax	\$ 738,757	\$ 2,216,272
Investment earnings	2,064	14,129
<b>Total Revenues</b>	740,821	2,230,401
<b>Expenditures</b>		
<b>Current:</b>		
Parks and leisure services	98,537	-
Economic development	-	1,457,021
<b>Debt service:</b>		
Principal	350,000	257,002
Interest and other charges	107,367	100,045
<b>Total Expenditures</b>	555,904	1,814,068
Excess (deficiency) of revenues over expenditures	184,917	416,333
<b>Other Financing Sources (Uses)</b>		
Transfers out	(37,849)	-
<b>Total Other Financing Sources (Uses)</b>	(37,849)	-
Net change in fund balances	147,068	416,333
<b>Fund balances - beginning</b>	653,407	2,985,082
<b>Fund balances - ending</b>	\$ 800,475	\$ 3,401,415
<b>Net Change in Fund Balances - component unit</b>	\$ 147,068	\$ 416,333
Amounts reported for the component unit in the Statement of Activities are different because:		
<p>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.</p>		
	(150,707)	-
<p>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 expenditures. In contrast, the Statement of Net Position shows this as a reduction of long-term liabilities.</p>		
Repayment of principal on long-term debt	350,000	257,002
Amortization of premium on debt	-	3,717
Amortization of deferred loss on refunding	-	(1,645)
Differences between cash payments for pension contributions reported in fund based financial statements and pension expense (revenue) as reported in the Corporation's government-wide financial statements.	-	58,000
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 compensated absences	-	(4,795)
Accrued interest	1,399	933
<b>Changes in Net Position of Component Units</b>	\$ 347,760	\$ 729,545

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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 government's overall financial health.

## Contents Pages

<b><i>Financial Trends</i></b>	<b><i>100-109</i></b>
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<b><i>Revenue Capacity</i></b>	<b><i>111-117</i></b>
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
<b><i>Debt Capacity</i></b>	<b><i>118-123</i></b>
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
<b><i>Demographic and Economic Information</i></b>	<b><i>124-125</i></b>
This schedule offers demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<b><i>Operating Information</i></b>	<b><i>126-131</i></b>
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF DESOTO, TEXAS**  
**NET POSITION BY COMPONENT**  
*Last Ten Fiscal Years*  
*(Accrual Basis of Accounting)*

	<u>2015<sup>(1)</sup></u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 75,008,168	\$ 79,821,001	\$ 80,552,505	\$ 85,553,558
Restricted	6,848,661	6,171,884	5,011,347	2,762,778
Unrestricted	21,092,761	11,361,795	8,889,050	9,830,512
<b>Total governmental activities net position</b>	<u>\$ 102,949,590</u>	<u>\$ 97,354,680</u>	<u>\$ 94,452,902</u>	<u>\$ 98,146,848</u>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 52,091,447	\$ 53,034,176	\$ 55,777,822	\$ 57,708,884
Unrestricted	15,159,256	14,439,474	13,095,617	10,933,100
<b>Total business-type activities net position</b>	<u>\$ 67,250,703</u>	<u>\$ 67,473,650</u>	<u>\$ 68,873,439</u>	<u>\$ 68,641,984</u>
<b>Primary government</b>				
Net investment in capital assets	\$ 127,099,615	\$ 132,855,177	\$ 136,330,327	\$ 143,262,442
Restricted	6,848,661	6,171,884	5,011,347	2,762,778
Unrestricted	36,252,017	25,801,269	21,984,667	20,763,612
<b>Total Primary government net positions</b>	<u>\$ 170,200,293</u>	<u>\$ 164,828,330</u>	<u>\$ 163,326,341</u>	<u>\$ 166,788,832</u>

<sup>(1)</sup> In fiscal year 2015, the City implemented GASB Statement No. 68. Prior periods have not been restated as information is not available.

*Table 1*

<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ 83,839,278	\$ 82,952,006	\$ 88,778,833	\$ 83,437,503	\$ 82,336,139	\$ 72,469,145
2,629,370	1,727,639	3,407,347	2,912,353	2,723,392	8,641,086
9,708,413	12,761,912	7,458,927	10,599,124	9,085,126	8,680,251
<u>\$ 96,177,061</u>	<u>\$ 97,441,557</u>	<u>\$ 99,645,107</u>	<u>\$ 96,948,980</u>	<u>\$ 94,144,657</u>	<u>\$ 89,790,482</u>
\$ 46,444,456	\$ 59,668,820	\$ 53,525,260	\$ 56,931,665	\$ 58,520,397	\$ 51,541,923
21,617,015	6,493,872	12,276,723	6,611,738	5,215,673	10,045,425
<u>\$ 68,061,471</u>	<u>\$ 66,162,692</u>	<u>\$ 65,801,983</u>	<u>\$ 63,543,403</u>	<u>\$ 63,736,070</u>	<u>\$ 61,587,348</u>
\$ 130,283,734	\$ 142,620,826	\$ 142,304,093	\$ 143,369,168	\$ 140,856,536	\$ 124,011,068
2,629,370	1,727,639	3,407,347	2,912,353	2,723,392	8,641,086
31,325,428	19,255,784	19,735,650	17,210,862	14,300,799	18,725,676
<u>\$ 164,238,532</u>	<u>\$ 163,604,249</u>	<u>\$ 165,447,090</u>	<u>\$ 163,492,383</u>	<u>\$ 157,880,727</u>	<u>\$ 151,377,830</u>

**CITY OF DESOTO, TEXAS**  
**CHANGES IN NET POSITION**  
*Last Ten Fiscal Years*  
*(Accrual Basis of Accounting)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Expenses</b>				
<b>Governmental activities:</b>				
General government	\$ 4,472,030	\$ 3,689,262	\$ 4,054,193	\$ 4,562,337
Public safety	15,633,862	18,322,046	17,789,694	17,491,146
Development services	8,860,259	9,201,069	8,878,903	7,312,154
Financial services	215,738	397,475	492,164	926,892
Municipal court	496,540	541,705	456,592	-
Information technology	521,186	428,672	306,289	280,360
Human resources	253,336	290,303	246,211	197,978
Parks and recreation services	3,623,576	3,683,337	3,899,590	3,844,791
Library services	776,904	919,596	892,249	890,239
Interest on long-term debt	2,807,023	2,453,548	2,634,793	3,391,573
<b>Total government activities expenses</b>	<u>37,660,454</u>	<u>39,927,013</u>	<u>39,650,678</u>	<u>38,897,470</u>
<b>Business-type activities:</b>				
Water and wastewater	16,049,932	15,982,382	14,061,689	-
Drainage	1,155,389	1,594,527	1,970,730	-
Sanitation	3,843,039	3,795,723	3,695,159	-
<b>Total business-type activities</b>	<u>21,048,360</u>	<u>21,372,632</u>	<u>19,727,578</u>	<u>18,771,364</u>
<b>Total primary government expenses</b>	<u>\$ 58,708,814</u>	<u>\$ 61,299,645</u>	<u>\$ 59,378,256</u>	<u>\$ 57,668,834</u>
<b>PROGRAM REVENUES</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	\$ 452,770	\$ 332,066	\$ 618,605	\$ 365,815
Public safety	4,564,521	4,225,010	3,024,624	2,865,010
Development services	1,319,083	1,260,957	871,691	823,229
Financial services	-	-	768,546	813,009
Information technology	-	-	63,068	62,601
Human resources	-	-	-	-
Parks and recreation services	750,124	749,215	-	-
Library services	44,048	59,149	-	-
<b>Operating grants and contributions</b>	1,228,969	964,431	1,040,029	1,254,754
<b>Capital grants and contributions</b>	-	1,787	376,468	2,450,162
<b>Total Governmental activities program revenues:</b>	<u>8,359,515</u>	<u>7,592,615</u>	<u>6,763,031</u>	<u>8,634,580</u>
<b>Business-type activities:</b>				
<b>Charges for services:</b>				
Water and wastewater	17,849,524	16,583,747	16,532,417	16,138,436
Drainage	1,501,251	1,483,893	1,488,332	1,458,904
Sanitation	4,003,031	3,954,851	3,848,776	3,428,857
Capital grants and contributions	-	-	137,750	15,000
<b>Total business-type activities program revenues</b>	<u>23,353,806</u>	<u>22,022,491</u>	<u>22,007,275</u>	<u>21,041,197</u>
<b>Total primary government program revenues</b>	<u>\$ 31,713,321</u>	<u>\$ 29,615,106</u>	<u>\$ 28,770,306</u>	<u>\$ 29,675,777</u>

**Table 2**  
**Page 1 of 2**

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 5,217,799	\$ 4,845,547	\$ 3,827,242	\$ 5,770,984	\$ 5,116,336	\$ 3,680,576
17,578,307	17,889,132	17,402,007	15,173,881	15,368,212	14,206,475
7,788,666	8,109,041	7,523,025	7,927,578	8,389,388	6,657,838
855,547	884,724	777,635	1,258,242	1,192,832	1,208,137
-	-	-	-	-	-
294,197	294,032	328,417	600,639	602,759	569,664
139,935	171,664	213,452	369,265	336,085	310,097
3,584,536	3,683,752	3,162,068	3,532,927	3,262,673	4,198,907
896,501	949,520	933,378	876,249	847,492	761,034
3,423,048	3,557,515	3,939,305	3,970,451	3,363,716	3,262,049
<u>39,778,536</u>	<u>40,384,927</u>	<u>38,106,529</u>	<u>39,480,216</u>	<u>38,479,493</u>	<u>34,854,777</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,683,891</u>	<u>16,843,244</u>	<u>16,688,807</u>	<u>16,763,211</u>	<u>15,904,487</u>	<u>15,450,885</u>
<u>\$ 55,462,427</u>	<u>\$ 57,228,171</u>	<u>\$ 54,795,336</u>	<u>\$ 56,243,427</u>	<u>\$ 54,383,980</u>	<u>\$ 50,305,662</u>
\$ 226,158	\$ 329,150	\$ 989,675	\$ 1,698,725	\$ 1,619,187	\$ 1,604,188
2,459,939	2,518,011	3,593,925	2,851,576	3,354,155	2,823,888
795,377	575,242	448,877	645,532	1,086,307	940,001
864,197	756,356	834,057	717,569	709,537	726,053
64,841	61,406	51,333	47,864	45,023	45,753
-	-	518	-	-	4,749
-	-	-	-	-	-
-	-	-	-	-	-
926,017	1,684,707	1,088,561	842,032	896,598	1,462,364
402,804	338,964	23,696	1,765,753	2,040,813	5,157,461
<u>5,739,333</u>	<u>6,263,836</u>	<u>7,030,642</u>	<u>6,803,298</u>	<u>9,751,620</u>	<u>12,764,457</u>
16,680,611	14,155,822	14,036,444	13,808,696	12,579,614	16,350,648
1,472,674	1,463,866	1,447,012	1,497,912	1,389,414	1,235,750
3,244,899	3,199,311	2,880,996	3,296,873	3,029,504	2,772,209
158,865	35,571	104,877	1,512,223	2,399,780	4,281,581
<u>21,557,049</u>	<u>18,854,570</u>	<u>18,469,329</u>	<u>20,115,704</u>	<u>19,398,312</u>	<u>24,640,188</u>
<u>\$ 27,296,382</u>	<u>\$ 25,118,406</u>	<u>\$ 25,499,971</u>	<u>\$ 26,919,002</u>	<u>\$ 29,149,932</u>	<u>\$ 37,404,645</u>

**CITY OF DESOTO, TEXAS**  
**CHANGES IN NET POSITION**  
*Last Ten Fiscal Years*  
*(Accrual Basis of Accounting)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$ (29,300,939)	\$ (32,334,398)	\$ (32,887,647)	\$ (30,262,890)
Business-type activities	2,305,446	649,859	2,279,697	2,269,833
<b>Total primary government net expense</b>	<u>\$ (26,995,493)</u>	<u>\$ (31,684,539)</u>	<u>\$ (30,607,950)</u>	<u>\$ (27,993,057)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
<b>Governmental activities:</b>				
<b>Taxes:</b>				
Property taxes	\$ 22,332,142	\$ 21,730,242	\$ 21,165,572	\$ 20,673,781
Sales taxes	8,865,087	6,548,886	6,089,949	5,929,029
Franchise and other taxes	3,177,165	3,024,987	2,846,979	2,835,277
Hotel occupancy	840,967	790,657	755,819	734,528
Unrestricted investment earnings	120,644	61,157	74,177	70,204
Miscellaneous	794,454	956,711	207,602	254,756
Transfers	2,266,818	2,123,536	1,836,131	1,735,102
<b>Total governmental activities</b>	<u>38,397,277</u>	<u>35,236,176</u>	<u>32,976,229</u>	<u>32,232,677</u>
<b>Business-type activities:</b>				
Unrestricted investment earnings	99,713	73,888	68,425	45,782
Miscellaneous	-	-	-	-
Transfers	(2,266,818)	(2,123,536)	(1,836,131)	(1,735,102)
<b>Total business-type activities</b>	<u>(2,167,105)</u>	<u>(2,049,648)</u>	<u>(1,767,706)</u>	<u>(1,689,320)</u>
<b>Total primary government</b>	<u>36,230,172</u>	<u>33,186,528</u>	<u>31,208,523</u>	<u>30,543,357</u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	9,096,338	2,901,778	88,582	1,969,787
Business-type activities	138,341	(1,399,789)	511,991	580,513
<b>Total primary government</b>	<u>\$ 9,234,679</u>	<u>\$ 1,501,989</u>	<u>\$ 600,573</u>	<u>\$ 2,550,300</u>

**Table 2**  
**Page 2 of 2**

<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ (34,039,203)	\$ (34,121,091)	\$ (31,075,887)	\$ (30,910,865)	\$ (28,727,873)	\$ (22,090,320)
3,864,663	2,011,326	1,780,522	3,352,493	3,943,825	9,189,303
<u>\$ (30,174,540)</u>	<u>\$ (32,109,765)</u>	<u>\$ (29,295,365)</u>	<u>\$ (27,558,372)</u>	<u>\$ (24,784,048)</u>	<u>\$ (12,901,017)</u>
\$ 21,392,377	\$ 20,998,395	\$ 21,562,536	\$ 22,051,523	\$ 20,479,714	\$ 18,748,137
5,409,524	5,532,796	5,028,838	5,802,926	5,314,550	4,680,468
2,998,791	2,794,521	3,129,287	3,336,906	3,394,651	3,848,098
634,074	571,969	470,214	395,829	258,848	416,017
83,020	42,494	314,323	1,434,605	1,857,677	1,259,291
262,238	208,314	-	-	-	-
1,651,170	1,769,052	1,278,553	693,399	1,708,085	1,487,965
<u>32,431,194</u>	<u>31,917,541</u>	<u>31,783,751</u>	<u>33,715,188</u>	<u>33,013,525</u>	<u>30,439,976</u>
28,799	31,429	55,674	148,239	362,982	351,041
-	87,006	30,208	-	-	-
<u>(1,651,170)</u>	<u>(1,769,052)</u>	<u>(1,278,553)</u>	<u>(693,399)</u>	<u>(1,708,085)</u>	<u>(1,487,965)</u>
<u>(1,622,371)</u>	<u>(1,650,617)</u>	<u>(1,192,671)</u>	<u>(545,160)</u>	<u>(1,345,103)</u>	<u>(1,136,924)</u>
30,808,823	30,266,924	30,591,080	33,170,028	31,668,422	29,303,052
(1,608,009)	(2,203,550)	707,864	2,804,323	4,285,652	8,349,656
2,242,292	360,709	587,851	2,807,333	2,148,722	8,052,379
<u>\$ 634,283</u>	<u>\$ (1,842,841)</u>	<u>\$ 1,295,715</u>	<u>\$ 5,611,656</u>	<u>\$ 6,434,374</u>	<u>\$ 16,402,035</u>

**CITY OF DESOTO, TEXAS**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
*Last Ten Fiscal Years*  
*(Modified Accrual Basis of Accounting)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>General fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Inventories	44,262	42,754	45,363	52,881
Assigned:				
Subsequent year's budget	-	-	-	557,178
Unassigned	18,868,052	13,395,310	10,590,898	8,684,056
<b>Total General Fund</b>	<u>18,912,314</u>	<u>13,438,064</u>	<u>10,636,261</u>	<u>9,294,115</u>
<b>All Other Governmental Funds</b>				
Reserved	-	-	-	-
Special revenue funds	-	-	-	-
Non Spendable: Note Receivable	-	57,003	109,005	161,673
Restricted:				
Debt Service	2,829,319	2,532,070	1,655,137	1,603,729
Street Improvements	3,971,537	2,592,811	5,684,787	7,480,942
Public safety	1,275,472	922,879	696,371	728,475
Economic Development	1,339,552	1,034,694	800,580	552,351
Culture and Recreation	-	-	-	-
Capital projects	-	-	35,248	35,248
Committed:				
Public Health	18,387	18,370	18,355	18,352
Development activities	240,997	258,979	277,947	152,029
Assigned:				
Street Improvements	-	-	115,737	826,931
Capital projects	3,860,287	246,994	528,404	729,681
<b>Total Other Governmental Funds</b>	<u>13,535,551</u>	<u>7,663,800</u>	<u>9,921,571</u>	<u>12,289,411</u>
<b>Total Fund Balances of Governmental Funds</b>	<u>\$ 32,447,865</u>	<u>\$ 21,101,864</u>	<u>\$ 20,557,832</u>	<u>\$ 21,583,526</u>

**\*\* Implementation of GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions."**

**Table 3**

<b>2011 **</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ -	\$ 221,638	\$ 454,274	\$ 46,495	\$ 34,432	\$ 36,619
-	6,964,196	7,157,520	6,853,977	6,780,425	7,066,881
39,331	-	-	-	-	-
528,025	-	-	-	-	-
7,967,759	-	-	-	-	-
<u>8,535,115</u>	<u>7,185,834</u>	<u>7,611,794</u>	<u>6,900,472</u>	<u>6,814,857</u>	<u>7,103,500</u>
-	18,072,628	21,282,353	22,030,806	28,452,022	18,715,559
-	(375,719)	(296,834)	(267,389)	(155,816)	(147,372)
212,025	-	-	-	-	-
1,450,009	-	-	-	-	-
9,080,205	-	-	-	-	-
679,910	-	-	-	-	-
558,547	-	-	-	-	-
617	-	-	-	-	-
1,327,888	-	-	-	-	-
18,323	-	-	-	-	-
150,081	-	-	-	-	-
1,387,953	-	-	-	-	-
-	-	-	-	-	-
<u>14,865,558</u>	<u>17,696,909</u>	<u>20,985,519</u>	<u>21,763,417</u>	<u>28,296,206</u>	<u>18,568,187</u>
<u>\$ 23,400,673</u>	<u>\$ 24,882,743</u>	<u>\$ 28,597,313</u>	<u>\$ 28,663,889</u>	<u>\$ 35,111,063</u>	<u>\$ 25,671,687</u>

**CITY OF DESOTO, TEXAS**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
*Last Ten Fiscal Years*  
*(Modified Accrual Basis of Accounting)*

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>				
<b>Taxes</b>				
Property taxes	\$ 22,519,005	\$ 21,709,933	\$ 21,147,434	\$ 20,753,144
Sales taxes	8,903,909	6,548,886	6,089,949	6,423,115
Franchise fees and others	3,138,343	3,024,987	2,877,716	2,692,496
Hotel occupancy	840,967	790,657	725,382	704,045
Fines and forfeitures	1,651,605	1,520,772	998,412	958,534
Licenses and permits	1,301,283	1,248,422	871,691	823,229
Intergovernmental	2,395,890	2,261,079	1,867,758	2,072,020
Charges for services	2,621,251	2,283,407	2,189,271	1,921,012
Investment earnings	120,644	61,157	74,177	70,204
Recreation services	731,396	731,655	748,099	796,815
Administrative	-	-	-	-
Assessments	-	-	-	-
Miscellaneous	327,420	781,805	291,392	156,764
<b>Total revenues</b>	<b>44,551,713</b>	<b>40,962,760</b>	<b>37,881,281</b>	<b>37,371,378</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,234,143	1,260,101	2,120,838	2,631,101
Public safety:	16,873,317	16,493,144	16,917,596	16,591,396
Development services	4,935,865	6,077,682	3,103,786	3,042,163
Financial services	330,494	330,271	833,766	762,721
Municipal court	584,523	525,049	-	-
Information technology	474,937	402,041	290,045	274,064
Human resources	329,166	288,934	247,092	197,010
Parks and recreation	3,130,647	2,882,472	3,077,070	3,222,956
Library services	886,474	896,324	875,161	869,133
Non-departmental	4,105,351	3,084,050	1,423,854	1,386,474
<b>Debt service:</b>				
Principal	4,866,302	4,630,076	5,602,787	4,989,020
Interest and other charges	2,587,579	2,643,073	2,915,788	3,692,322
<b>Capital outlay</b>	<b>2,353,421</b>	<b>3,140,232</b>	<b>3,386,111</b>	<b>3,524,766</b>
<b>Total expenditures</b>	<b>42,692,219</b>	<b>42,653,449</b>	<b>40,793,894</b>	<b>41,183,126</b>
Excess of revenues over (under) expenditures	1,859,494	(1,690,689)	(2,912,613)	(3,811,748)
<b>Other Financing Sources (Uses)</b>				
Issuance Long-Term Debt	6,718,947	75,000	10,375,000	18,040,000
Other Sources	500,739	36,185	733,159	3,220,773
Payment to refund escrow agent	-	-	(11,161,123)	(21,001,274)
Transfers in	2,982,684	3,665,104	4,077,117	3,314,660
Transfers out	(715,866)	(1,541,568)	(2,240,986)	(1,579,558)
<b>Total other financing sources (uses)</b>	<b>9,486,504</b>	<b>2,234,721</b>	<b>1,783,167</b>	<b>1,994,601</b>
<b>Net change in fund balances</b>	<b>\$ 11,345,998</b>	<b>\$ 544,032</b>	<b>\$ (1,129,446)</b>	<b>\$ (1,817,147)</b>
Debt service as a percentage of noncapital expenditures	18.7%	19.2%	22.8%	23.1%

*Table 4*

<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ 20,719,051	\$ 20,972,154	\$ 21,774,805	\$ 22,031,974	\$ 20,358,281	\$ 18,715,056
5,860,318	5,532,796	5,056,041	5,802,926	5,314,550	4,680,468
2,998,792	2,828,106	3,129,287	3,336,906	3,394,651	3,848,098
597,292	575,384	405,064	395,829	258,848	248,785
1,054,477	1,096,452	984,317	1,074,968	1,153,583	1,110,188
795,377	732,293	644,884	721,068	1,174,424	1,040,754
1,278,510	1,297,146	1,112,257	844,407	900,669	1,338,761
1,696,669	1,627,574	1,634,730	2,095,110	1,819,581	1,766,040
83,020	76,403	314,323	1,434,605	1,857,677	1,259,291
820,760	748,192	860,012	227,719	229,686	243,027
-	-	-	1,546,945	1,546,945	1,487,825
-	-	-	23,400	73,875	254,725
257,910	535,208	710,354	662,003	615,677	1,603,733
<u>36,162,176</u>	<u>36,021,708</u>	<u>36,626,074</u>	<u>40,197,860</u>	<u>38,698,447</u>	<u>37,596,751</u>
2,622,418	1,961,081	1,279,890	2,334,303	3,583,153	2,406,010
16,981,677	16,653,927	16,117,852	14,387,972	14,499,761	13,351,862
3,340,924	3,551,797	3,521,060	3,856,422	3,917,629	3,508,849
727,046	778,779	713,569	1,241,631	1,183,605	1,199,965
-	-	-	-	-	-
293,953	284,355	312,204	582,721	570,323	528,544
140,181	167,715	195,881	347,323	334,416	309,404
3,186,277	3,234,926	2,913,823	3,166,879	2,951,319	3,555,902
879,457	935,633	889,791	870,217	814,602	731,986
1,288,744	2,067,520	1,358,466	2,933,840	1,053,341	958,652
4,641,948	4,140,140	4,531,913	4,176,776	4,185,487	3,674,198
3,602,843	3,527,769	3,922,904	4,069,494	3,861,639	3,492,404
3,755,708	4,362,869	9,203,386	15,089,860	9,380,677	7,687,797
<u>41,461,176</u>	<u>41,666,511</u>	<u>44,960,739</u>	<u>53,057,438</u>	<u>46,335,952</u>	<u>41,405,573</u>
(5,299,000)	(5,644,803)	(8,334,665)	(12,859,578)	(7,637,505)	(3,808,822)
3,314,406	755,000	14,105,000	5,690,000	15,510,000	7,815,000
189,967	130,802	510,352	29,005	30,273	-
(1,338,613)	(724,621)	(8,281,298)	-	-	-
2,981,635	7,396,548	5,695,409	5,368,659	6,988,814	5,769,465
<u>(1,330,465)</u>	<u>(5,627,496)</u>	<u>(4,416,856)</u>	<u>(4,675,260)</u>	<u>(5,280,729)</u>	<u>(4,281,500)</u>
<u>3,816,930</u>	<u>1,930,233</u>	<u>7,612,607</u>	<u>6,412,404</u>	<u>17,248,358</u>	<u>9,302,965</u>
<u>\$ (1,482,070)</u>	<u>\$ (3,714,570)</u>	<u>\$ (722,058)</u>	<u>\$ (6,447,174)</u>	<u>\$ 9,610,853</u>	<u>\$ 5,494,143</u>
21.9%	20.6%	23.6%	21.7%	21.8%	21.3%

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**CITY OF DESOTO, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE**  
**OF TAXABLE PROPERTY**  
*Last Ten Fiscal Years*

*Table 5*

<b>Real Property</b>				
<b>Fiscal Year</b>	<b>Real Property Assessed Value</b>	<b>Personal Property Assessed Value</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax rate</b>
2006	\$ 2,328,801,813	\$ 297,691,540	\$ 2,626,493,353	0.6980
2007	2,513,532,590	254,136,054	2,767,668,644	0.6984
2008	2,683,144,134	276,411,696	2,959,555,830	0.7097
2009	2,667,601,748	396,884,124	3,064,485,872	0.7097
2010	2,486,212,011	452,515,233	2,938,727,244	0.6997
2011	2,384,201,534	426,128,357	2,810,329,891	0.6997
2012	2,365,056,165	430,430,576	2,795,486,741	0.7574
2013	2,313,596,055	466,342,520	2,779,938,575	0.7574
2014	2,402,889,269	474,468,022	2,877,357,291	0.7574
2015	2,510,330,406	507,665,624	3,017,996,030	0.7574

The estimated actual taxable value equals the total taxable assessed value.  
 All properties are assessed at 100% of actual taxable value.

Source: Dallas County Tax Office

**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 &amp; School Equalization</u>	<u>Dallas Parkland Hospital</u>	<u>Dallas County Comm. College</u>
2006	\$ 0.4860	\$ 0.2120	\$ 0.6980	\$ 0.2190	\$ 0.254	\$ 0.08100
2007	0.48592	0.21243	0.69835	0.2330	0.254	0.08000
2008	0.48592	0.22381	0.70973	0.2330	0.254	0.08900
2009	0.48592	0.21381	0.69973	0.2330	0.274	0.09500
2010	0.49592	0.20381	0.69973	0.2333	0.274	0.09490
2011	0.50492	0.23020	0.73512	0.2531	0.271	0.09923
2012	0.50490	0.25250	0.7574	0.2531	0.271	0.09967
2013	0.5199	0.2375	0.7574	0.2530	0.271	0.119375
2014	0.5303	0.2271	0.7574	0.2531	0.276	0.124700
2015	0.5303	0.2271	0.7574	0.2531	0.276	0.124700

Note: Tax rate is at 100% of market value.

**Table 6**

<u>Total City , County, Hospital and College</u>	<u>DeSoto I.S.D.</u>	<u>Total City, County, Hospital, College and DeSoto I.S.D.</u>	<u>Dallas I.S.D.</u>	<u>Total City, County, Hospital College and Dallas I.S.D.</u>	<u>Duncanville I.S.D.</u>	<u>Total City, County, Hospital College and Duncanville I.S.D.</u>
\$ 1.252	\$ 1.760	\$ 3.012	\$ 1.503000	\$ 2.755	\$ 1.7360	\$ 2.988
1.265	1.490	2.755	1.200000	2.465	1.418	2.683
1.286	1.510	2.796	1.183000	2.469	1.418	2.704
1.302	1.490	2.792	1.271000	2.573	1.418	2.720
1.302	1.490	2.792	1.271343	2.573	1.418	2.720
1.358	1.490	2.848	1.237811	2.596	1.418	2.776
1.381	1.440	2.821	1.290347	2.672	1.418	2.799
1.401	1.440	2.841	1.290347	2.691	1.430	2.831
1.411	1.490	2.901	1.282085	2.693	1.410	2.821
1.411	1.490	2.901	1.282085	2.693	1.410	2.821

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**CITY OF DESOTO, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last Ten Fiscal Years*

*Table 7*

<b>Fiscal Year Ended Sept 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>% of Levy</b>		<b>Amount</b>	<b>% of Levy</b>
2006	\$ 16,535,406	\$15,993,668	96.72%	\$ 518,141	\$16,511,809	99.86%
2007	19,915,679	19,114,409	95.98%	772,644	19,887,053	99.86%
2008	21,395,308	20,702,532	96.76%	656,034	21,358,566	99.83%
2009	21,379,787	20,812,339	97.35%	530,587	21,342,926	99.83%
2010	20,746,013	20,277,877	97.74%	409,716	20,687,593	99.72%
2011	20,692,471	20,324,347	98.22%	287,579	20,611,926	99.61%
2012	21,182,362	20,705,884	97.75%	375,943	21,081,827	99.53%
2013	21,069,288	20,922,192	99.30%	164,761	21,086,953	100.08%
2014	21,808,320	21,470,787	98.45%	64,075	21,534,862	98.75%
2015	22,604,400	22,311,366	98.70%	-	22,311,366	98.70%

Source: City of DeSoto Joint Tax Office and Dallas County Tax Office

\* - Includes Year to Adjustments to the Levy by the Tax Office

**CITY OF DESOTO, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
*Current Year and Nine Years Ago*

**2015**

Taxpayer	Taxable Assessed Valuation (1)	Type of Business	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
Solar Tubines Inc	\$ 184,857,400	Manufacturing	1	6.13%	37.72%
Kohls Department Store	123,798,250	Distribution	2	4.10%	25.26%
WalMart Stores Inc	34,029,440	Retail/Warehouse	3	1.13%	6.94%
WRH Properties Inc	28,013,590	Apartments	4	0.93%	5.72%
Oncor Electric Delivery Co	24,907,640	Public Utility	5	0.83%	5.08%
DeSoto Apartments LTD	23,970,980	Apartments	6	0.79%	4.89%
Cintas Corporation 2	23,601,840	Retail/Uniforms	7	0.78%	4.82%
Atlas Huntington Ridge LLC	18,000,000	Apartments	8	0.60%	3.67%
Maclay Carlin Desoto 1LTD	14,940,920	Shopping Center	9	0.50%	3.05%
High Street Desoto LLC	13,948,430	Multi-Family Development	10	0.46%	2.85%
McGraw Hill/School	-	Distribution		-	-
Texas Utilities Elec. Co.	-	Utility		-	-
Weingarten Realty Inv	-	Investments		-	-
Eqyinvest Townsend	-	Investments		-	-
DeSoto Ridge Apartments	-	Apartments		-	-
Spiegel Enterprises	-	Manufacturing		-	-
Total	<u>\$ 490,068,490</u>			<u>16.24%</u>	<u>100.0%</u>

Source: (1) Dallas County Appraisal District

**Table 8**

<b>2006</b>				
Taxable Assessed Valuation (1)		Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
\$	95,862,390	1	3.23%	30.36%
	-	-	-	-
	13,663,730	8	0.46%	4.33%
	18,715,640	6	0.63%	5.93%
	-	-	-	-
	17,968,290	7	0.61%	5.69%
	-	-	-	-
	-	-	-	-
	12,670,050	9	0.43%	4.00%
	-	-	-	-
	74,998,610	2	2.53%	23.75%
	24,657,180	3	0.83%	7.81%
	22,560,000	4	0.76%	7.14%
	19,691,890	5	0.66%	6.24%
	-	-	-	-
	15,011,990	10	0.51%	4.75%
<u>\$</u>	<u>315,799,770</u>		<u>10.65%</u>	<u>100.00%</u>

**CITY OF DESOTO, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last Ten Fiscal Years*

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government
	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Capital Lease Obligations	General Obligation Bonds	Certificates of Obligation	
2006	\$58,923,028	\$ 11,243,460	\$1,855,989	\$ 634,262	\$ -	\$ 5,350,000	\$ 78,006,739
2007	61,948,256	19,848,460	1,671,789	512,747	-	5,140,000	89,121,252
2008	63,703,255	19,923,459	1,482,689	385,071	-	4,920,000	90,414,474
2009	61,401,561	22,478,459	1,291,852	290,796	1,376,694	8,500,000	95,339,362
2010	59,120,223	21,250,000	1,095,105	188,241	1,212,833	13,125,000	95,991,402
2011	55,373,650	21,995,000	892,040	518,768	1,326,351	15,680,000	95,785,809
2012	54,005,759	15,865,000	678,926	410,089	708,576	14,985,000	86,653,350
2013	53,121,252	14,927,710	459,346	308,020	3,762,502	15,363,753	87,942,583
2014	45,570,481	14,180,000	233,105	336,990	2,944,519	14,550,000	77,815,095
2015	44,332,817	15,535,000	-	770,403	2,847,183	13,870,000	77,355,403

Personal income data unavailable prior to fiscal year 2007.

<sup>a</sup> Personal income and population data can be found in demographic and economic statistics table.

*Table 9*

<b>Percentage of Personal Income</b>	<b>Per Capita</b>
-	\$ 1,656
6.98%	1,872
6.58%	1,868
7.28%	1,958
6.52%	1,986
6.41%	1,953
5.80%	1,767
5.65%	1,721
4.93%	1,511
4.89%	1,489

**CITY OF DESOTO, TEXAS**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED**  
**VALUE AND NET BONDED DEBT PER CAPITA**  
*Last Ten Fiscal Years*

*Table 10*

<b>Fiscal Year</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Total Bonded Debt (1)</b>	<b>Less Debt Services Monies Available</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Per Capita</b>
2006	47,109	\$ 2,626,493,353	\$ 75,516,488	\$ 1,323,212	\$ 74,193,276	2.82%	\$ 1,575
2007	47,600	2,767,668,644	89,121,252	1,720,235	87,401,017	3.16%	1,836
2008	48,391	2,959,555,830	90,414,474	2,254,215	88,160,259	2.98%	1,822
2009	48,700	3,064,485,872	95,339,362	1,831,987	93,507,375	3.05%	1,920
2010	48,322	2,938,727,244	95,991,402	2,159,684	93,831,718	3.19%	1,942
2011	49,047	2,810,329,891	95,785,809	1,450,009	94,335,800	3.36%	1,923
2012	49,047	2,795,486,741	86,653,350	1,603,730	85,049,620	3.04%	1,734
2013	51,102	2,779,938,575	87,942,583	1,655,136	86,287,447	3.10%	1,689
2014	51,483	2,877,357,291	77,815,095	2,532,070	75,283,025	2.62%	1,462
2015	51,934	3,017,996,030	77,355,403	2,820,786	74,534,617	2.47%	1,435

(1) Includes all long-term certificates of obligation and general obligation debt.

**CITY OF DESOTO, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
*September 30, 2015*

*Table 11*

<u>Taxing Jurisdiction</u>	<u>Total Tax Supported Debt (1)</u>	<u>Overlapping</u>	
		<u>Percent Applicable</u>	<u>Amount</u>
<b>Overlapping Debt</b>			
DeSoto Independent School District	\$ 123,973,884	85.30%	\$ 105,749,723
Dallas County	84,725,000	1.78%	1,457,270
Dallas County Schools	6,021,500	1.78%	1,035,698
Dallas Independent School District	2,539,385,000	67.00%	1,701,387,950
Dallas County Community College District	321,510,000	1.78%	5,112,009
Dallas County Hospital District	728,005,000	1.78%	12,521,686
Duncanville Independent School District	225,991,096	8.82%	15,118,804
<b>Total Overlapping Debt</b>			<u>1,842,383,140</u>
<b>City Direct Debt (Governmental Activities)</b>	77,760,000	100.00%	<u>77,760,000</u>
<b>Total Direct and Overlapping Debt</b>			<u>1,920,143,140</u>
<b>Population</b>			51,483
<b>Ratio of direct and overlapping bonded debt to taxable assessed value</b>			61.34%
<b>Per Capita Debt-Direct and Overlapping Debt</b>			<u>37,131</u>

Source - First Southwest Company

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

**a. Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Texas City, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for paying the debt of each overlapping government.

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**CITY OF DESOTO, TEXAS**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**(UNAUDITED)**  
**SEPTEMBER 30, 2015**

*Table 12*

Net Assessed Value		\$ 3,481,062,250
Less: Exempt Property		<u>350,616,643</u>
 Total Assets Value		 <u>\$ 3,130,445,607</u>
 Debt limit - (10%) of total assessed value		 313,044,561
 Less: amount of debt applicable to debt limit:		
Total bonded debt (including special assessment bonds)	\$ 77,760,000	
Less: assets in debt service funds available for payment of principal	<u>2,860,564</u>	<u>74,899,436</u>
<b>Legal Debt Margin</b>		 <b><u>\$ 238,145,125</u></b>

**CITY OF DESOTO, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
*(UNAUDITED)*  
*Last Ten Fiscal Years*

*Table 13*

<b>Fiscal Year</b>	<b>Population</b>	<b>Estimated Median Family Household Income (1)</b>	<b>Personal Income (in \$000's) (2)</b>	<b>Per Capita Personal Income*</b>	<b>Median Age</b>	<b>Education level in Years of Schooling</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (2)</b>
2006	47,109	\$ 72,726	*	*	36	High School + 2 Year:	7,898	5.2%
2007	47,600	62,960	\$ 1,277,489	27	37	High School + 2 Year:	8,700	5.1%
2008	48,391	62,960	1,373,095	28	37	High School + 2 Year:	8,884	6.3%
2009	48,700	78,020	1,308,764	27	37	High School + 2 Year:	9,063	9.6%
2010	48,322	75,488	1,472,710	30	37	High School + 2 Year:	9,020	9.2%
2011	49,047	78,020	1,499,806	30	38.2	High School + 2 Year:	8,995	9.4%
2012	49,047	58,711	1,494,805	27	38.2	High School + 2 Year:	8,972	7.3%
2013	51,102	59,003	1,557,436	30	37.8	High School + 2 Year:	9,177	7.0%
2014	51,483	60,945	1,569,047	27	36.1	High School + 2 Year:	9,200	5.8%
2015	51,934	56,911	1,582,793	27	36.1	High School + 2 Year:	9,600	4.0%

Sources:

- (1) DeSoto Economic Development Corporation (Claritas) - 2013
- (2) US Census Bureau
- (3) DeSoto Independent School District

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 Year and Nine Years Ago**

*Table 14*

<b>Employer</b>	<b>2015</b>			<b>2006</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
DeSoto ISD	1,104	1	3.91%	907	1	4.20%
Kohl's e-Commerce	500	2	1.77%	-	-	-
Solar Turbines	400	3	1.42%	275	3	1.27%
City of DeSoto	364	4	1.29%	313	2	1.45%
Williamsburg Village	300	8	1.06%	210	6	0.97%
Marten Transport	250	6	0.89%	240	5	1.11%
Wal Mart Distribution	250	5	0.89%	-	-	-
Hickory Trail Hospital	250	7	0.89%	-	-	-
The Cedars	190	9	0.67%	-	-	-
DW Distribution Inc.	150	10	0.53%	155	7	0.72%
DIAB	-	-	-	254	4	1.18%
Tom Thumb	-	-	-	150	8	0.69%
Albertson's	-	-	-	126	9	0.58%
Kroger	-	-	-	125	10	0.58%
<b>Total</b>	<b>3,758</b>		<b>13.32%</b>	<b>2,755</b>		<b>12.75%</b>

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

**CITY OF DESOTO, TEXAS**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT**  
**EMPLOYEES BY FUNCTION/PROGRAM**  
**(UNAUDITED)**  
*Last Ten Fiscal Years*

**Full-time Equivalent Employees as of Sept 30:**

<b>Function/Program</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Governmental Activities:</b>					
General Government	10	10	10	11	10
Public Safety	193	184	188	196	200
Development Services	27	27	25	25	25
Parks and Recreation Services	34	34	36	28	28
Finance	9	9	15	11	10
Municipal Court*	7	6			
Library	15	15	15	12	12
Human Resources	5	4	3	3	3
Information Technology	4	3	2	2	2
Water & Sewer	31	31	30	28	26
Drainage	5	5	5	1	1
Sanitation	5	5	5	5	5
<b>Total</b>	<b>345</b>	<b>333</b>	<b>334</b>	<b>322</b>	<b>322</b>

\* Formerly categorized with Financial Services.

Source: City of DeSoto Human Resource Department

*Table 15*

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
10	10	10	10	10
199	197	196	197	191
24	24	24	26	28
27	26	26	27	34
10	11	11	12	14
7	7	7	7	11
3	3	3	3	3
2	2	2	2	2
26	26	26	27	24
1	1	1	1	1
<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<u>314</u>	<u>312</u>	<u>311</u>	<u>317</u>	<u>323</u>

**CITY OF DESOTO, TEXAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
*(UNAUDITED)*  
*Last Ten Fiscal Years*

<b>Function/Program</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>General government</b>				
Number of public information requests processed	386	392	267	2,320
<b>Public safety</b>				
Number of youth outreach programs held	5	2	1	9
Number of senior citizen symposiums held	1	1	13	1
Number of citizen police academics per year	1	1	1	2
Fire code inspections completed	389	235	463	756
<b>Development services</b>				
Traffic signal inspections	68	34	204	68
<b>Parks and leisure services</b>				
Total fitness facility memberships	1,139	4,433	4,519	6,347
Total swimming pool attendance	17,723	15,817	16,461	16,474
<b>Library</b>				
Total children's' story time programs	63	61	51	57
<b>Human resources</b>				
Number of salary surveys completed	25	21	28	24
<b>Finance</b>				
Municipal court cases filed	10,077	12,371	9,157	9,105
<b>Information technology</b>				
Number of City computers replaced annually	24	58	52	82
<b>Water and sewer</b>				
Number of touch read meters changed out	N/A	N/A	457	1,002
Number of meters changed out	1,580	4,224		
Number of meters read monthly	17,254	17,484	16,903	15,480
<b>Drainage</b>				
Number of easements acquired for project construction	-	-	-	3
<b>Sanitation</b>				
Number of existing intersection landscapes renovated annually	4	17	2	6

Source: Information provided by the head of each department

*Table 16*

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
2,023	86	2,018	75	75	55
10	11	10	21	40	40
1	1	1	7	10	8
1	2	1	2	2	2
835	978	423	432	450	445
68	85	204	192	168	168
4,861	5,780	6,405	6,025	5,493	4,342
17,148	15,648	16,887	17,830		15,306
53	32	98	33	35	47
4	5	5	14	8	14
10,499	12,106	11,342	14,117	14,271	12,923
65	8	63	64	77	67
1,338	1,189	629	354	1,500	900
16,008	15,879	15,748	15,489	15,250	14,700
-	1	5		4	4
4	3	2	1	1	1

**CITY OF DESOTO, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**(UNAUDITED)**  
*Last Ten Fiscal Years*

<b>Function/Program</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Public safety</b>					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
<b>Development services</b>					
Lane Miles of streets	495	493	482	478	491
Miles of alleys	90	90	90	77	91
Traffic signals	17	17	17	17	17
<b>Parks and recreation</b>					
Number of parks	19	19	19	19	19
Civic centers	1	1	1	1	1
Swimming pools	1	1	1	1	1
Theater playhouses	1	1	1	1	1
<b>Library</b>					
Number of libraries	1	1	1	1	1
<b>Water and sewer</b>					
Water pumping capacity	39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day
Elevated water storage	5mg.	5mg.	5mg.	5mg.	5mg.
Ground storage	13mg.	13mg.	13mg.	13mg.	13mg.

*Table 17*

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1	1	1	1	1
3	3	3	3	3
391	484	473	466	452
94	96	96	90	102
17	17	16	15	14
19	19	19	19	19
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
39.5mg/day	39.5mg/day	39.5mg/day	35mg/day	18mg/day
5mg.	5mg.	5mg.	5mg.	5mg.
13mg.	13mg.	13mg.	13mg.	13mg.