

CITY OF DESOTO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017



Prepared by the

FINANCIAL SERVICES DEPARTMENT

Letitia L. Shelton
Director of Finance

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Director of Budget

CITY MANAGER

Tarron Richardson, Ph.D.

CITY COUNCIL

Curtistene S. McCowan, Mayor

Virgil Helm, Council Member

Deshaundra Lockhart Jones, Council Member

Rachel Proctor, Mayor Pro Tem

Richard North, Council Member

Candice Quarles, Council Member

Kenzie Moore III, Council Member

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INTRODUCTORY SECTION



City of DeSoto

March 20, 2018

To the Citizens of the
City of DeSoto, Texas

In accordance with State Law, municipalities are required to publish a complete set of audited financial statements with an opinion. Accordingly, these documents must be submitted six (6) months prior to the end of any given fiscal year (FY). Therefore, this detailed report fulfills that requirement for the FY that ended Saturday, September 30, 2017.

Management assumes full responsibility for the completeness and reliability of information contained within this report, which is based upon a comprehensive framework of internal controls that were established for this purpose. The costs associated with implementing these internal controls should not exceed its anticipated benefits. In particular, the overall objective is to provide a reader with reasonable, and not absolute assurance that all financial statements are free of material misstatements.

At the conclusion of the FY that ended on Saturday, September 30, 2017, Whitley Penn, LLP, Certified Public Accountants issued the City of DeSoto an unmodified (“clean”) opinion. In the beginning financial section of this document, a viewer can find the independent auditors’ report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report that includes a narrative introduction, overview, and an analysis of basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with the entire document for a superior level of understanding.

Profile

Located in the Best Southwest region of Dallas County, the City of DeSoto is in close proximity to downtown Dallas and has a total area that covers 21.6 square miles. In 2017, it was estimated that the City of DeSoto had 53,128 residents. This growing community has access to three (3) major thoroughfares, I-35 (eastern border), Highway 67 (western border) and I-20 (northern border).

As a political subdivision and municipal corporation of the State, the City of DeSoto adopted a home rule charter that serves as its governing document over local issues. This enabled the residents to establish a Council/Manager form of government. The policy making body is comprised six (6) Council members and a Mayor. These elected officials enact local legislation and adopt annual budgets. They are also responsible for appointing the City secretary, City attorney, City Manager and Judge.

The City Manager, serves as the Chief Administrative Officer and is responsible for managing all municipal operations. Major services provided under general government and enterprise functions are: public safety (police and fire), street maintenance, water and sewer, parks and recreation, library and general administrative services.

Accounting System and Budgetary Control

The financial accounting system serves as a means to ensure that there are adequate internal controls. Internal controls provide a reasonable level of assurance in regards to, safeguarding assets against loss from unauthorized use or disposition, as well as the reliability of financial records for preparing statements and asset accountability. Management assumes responsibility for the completeness and reliability of the information contained within this report, which is based upon a comprehensive framework of established internal controls for this specific purpose. Most importantly, the cost of internal controls should not exceed its anticipated benefits. The overall objective is to provide reasonable, rather than absolute assurance that the financial statements are free from material misstatements.

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

Government-wide financial statements are prepared using the accrual basis of accounting, as well as the economic resources measurement focus. In particular, these statements do not provide information by fund. It is separated by activities associated with governmental, business-type, discretely presented component units on statements for net assets and activities.

Budgetary Controls – During the preliminary budget process, proposed revenues and expenditures for each department are thoroughly analyzed by two (2) departments (Finance and Administration). At the conclusion of these departmental reviews, the City Council will be forwarded a copy of these finalized documents. In accordance with the City Charter, the City Council must adopt a budget ten (10) days in advance of a new fiscal year.

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

Relevant Financial Policies

By policy, the annually adopted FY budget must be balanced with fund reserves. In FY 2017, the GF had a fund balance of \$23,695,494, which exceeded the mandated reserve requirement of 60-days.

Every FY, the City utilizes its long-range planning policy to project future revenues and expenditures. This process enables the City to identify potential deficits and opportunities for financial growth over a two (2) year period. For illustration purposes, the FY2018 planning and FY2017 budgets were prepared in collaboration with one another.

The investment policy was established to minimize credit and market risks. It is updated and reauthorized on an annual basis by the City Council in compliance with the Texas Public Funds Investment Act.

The investment policy was established with objectives consistent with state and local laws. Investments follow the hierarchy to preserve capital, safety of principal and security of invested funds; maintenance of sufficient liquidity to meet operating goals; diversification of investments to avoid unreasonable or avoidable risks; insurance of public trust; and optimization of return on the portfolio.

Cash management is the process of managing currency in order to ensure maximum availability and optimum yield on short-term investments of idle funds. An aggressive cash management program that is consistent with this Investment Policy will provide investment interest as revenue for all operating and capital funds. The portfolio is designed and managed in a manner responsive to the public trust. Earnings from investments are used in a manner that best serves the City.

Local Economy

Major businesses within the municipal limits of DeSoto are distribution, retail, healthcare, grocery, manufacturing, transportation or e-commerce. The aforementioned company employs over 2,600 employees. The civilian employed workforce was estimated at approximately 27,397. The unemployment rate as of October 31, 2017 was 4.7%, which is slightly higher than Dallas, Fort Worth, and Arlington area rate of 3.4%.

DeSoto benefits from being located twelve (12) miles south of Dallas and is accessible from several major transportation thoroughfares. This prime location serves as a gateway to job opportunities in Dallas, Fort Worth and the Mid-Cities. Its estimated population of 53,128 has grown to a notable 41% since 2000, which ushered in a 40% rise in households. During that same year, the overall taxable assessed valuation increased by 3.73%.

Long-term Financial Planning

Historically, the City has maintained solid general fund balances. The FY2017 fund balance of the General Fund was approximately \$23.7 million or roughly 66% of spending. As a proactive measure, the budget is continuously analyzed for deficiencies as means to thwart revenue from being lost. By managing the budget in this manner, fund reserves are not used for ongoing operational expenses.

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 that are based upon individual business needs.

The City also has more than 400 acres of land that are available for industrial and commercial development. These parcels are located within the DeSoto Eagle Industrial and Business Park. The Hillwood Crossroads Trade Center, which is located 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 Initiative

The 2016-2017 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
- 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 FY that ended Wednesday, September 30, 2016. This is a prestigious national award that recognizes conformance with the highest standards for preparing State and Local government financial reports.

In order to be awarded a Certificate of Achievement for Excellence, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) that conforms to program standards. A (CAFR) must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is only valid for one (1) year. Over the past 32 FYs, DeSoto has received this prestigious award. Synonymous with previous GFOA reports that DeSoto submitted, this report will also conform to program requirements for the Certificate of Achievement.

This report could not have been accomplished without the tireless dedication and due diligence of staff. Most importantly, our staff would like to commend both the Mayor and City Council for their unwavering contributions throughout this entire financial planning process.

Respectfully,

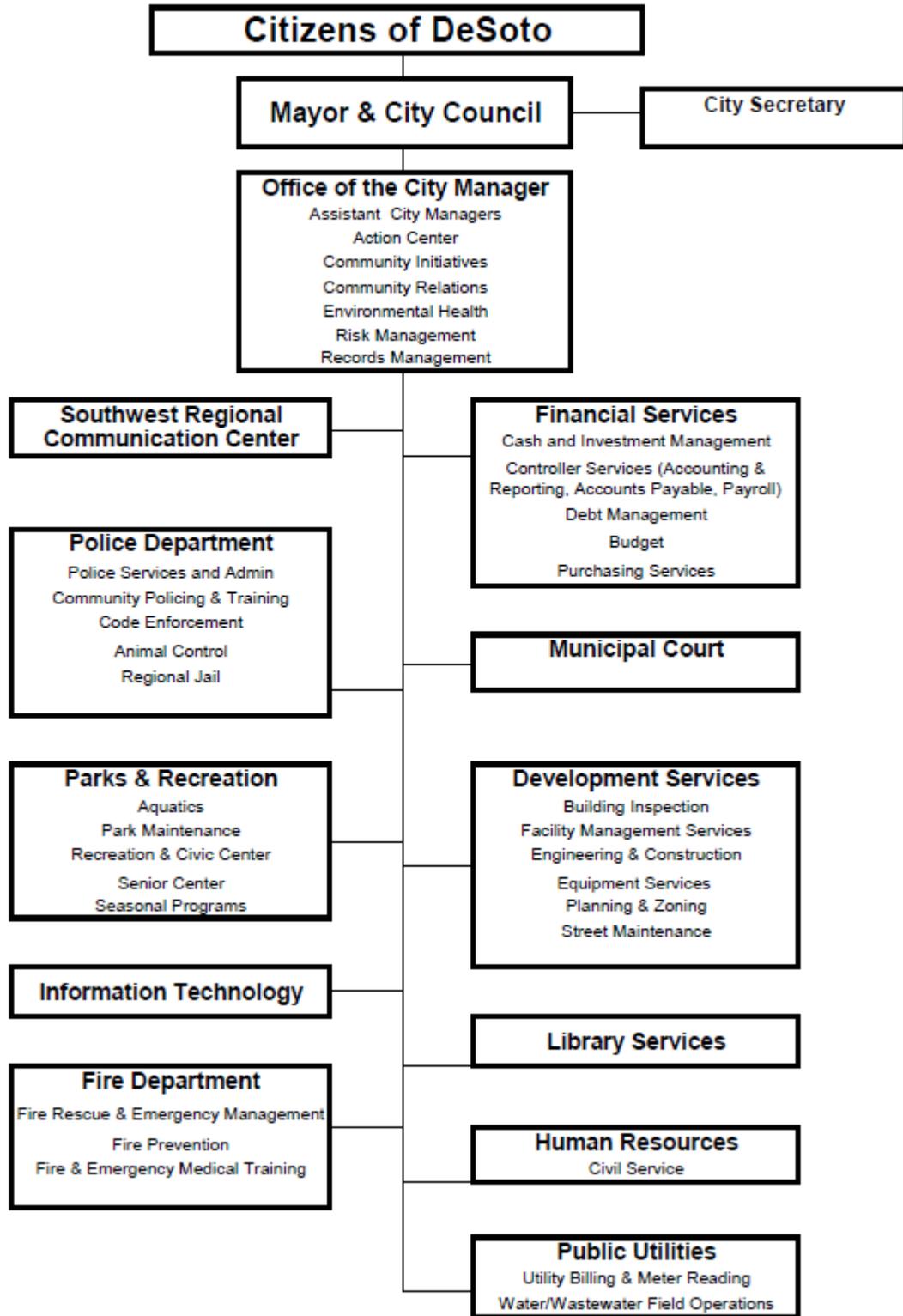


Tarron Richardson, Ph.D.
City Manager



Tracy L. Cormier
Director of Budget

CITY OF DESOTO, TEXAS
ORGANIZATIONAL CHART



City Officials

City Council



Curtistene McCowan, Mayor
Place One



Vigil Helm
Place Two



Deshaundra Lockhart Jones
Place Three



Rachel Proctor
Mayor Pro Tem, Place Four



Richard North
Place Five



Candice Quarles
Place Six



Kenzie Moore III
Place Seven

Executive Team

Tarron J. Richardson, PhD. City Manager	
Tracie Hlavinka Assistant City Manager	Lora Stallings Assistant City Manager
Tamara Bell Managing Director S.W.R.C.C.	Isom Cameron Managing Director Public Utilities
Joseph Costa Police Chief	Jerry Duffield Fire Chief
Derek T. Figert Managing Director Information Technology	Joe Gorfida City Attorney
Renee Johnson Managing Director Parks & Recreation	Crystal Owens Managing Director Development Services
Kathy Jones Community Relations Manager	Tracy L. Cormier, CGFO Director of Budget Financial Services
Scott Kurth Judge DeSoto Municipal Court	Kerry McGeath Managing Director Library Services
Kisha Morris City Secretary	Letitia L. Shelton Director of Finance Financial Services
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, 2016

Christopher P. Morill

Executive Director/CEO

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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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 combining and individual nonmajor fund financial statements and schedules along with the discretely 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 discretely presented component unit fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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 20, 2018, 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.

Whitley Penn LLP

Houston, Texas
March 20, 2018

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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, 2017. 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 2017 fiscal year by \$177,741,215 (net position). Of this amount, \$46,943,193 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2017, the City's governmental funds reported combined ending fund balances of \$46,376,228, an increase of \$9,283,682 from the prior year. Approximately 51% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$23,655,407 or 70% of total General Fund expenditures.
- The City's total capital assets net of accumulated depreciation decreased by \$3.2 million. The decrease is due to current year additions and retirements of capital assets, net of depreciation.
- The City's governmental and business-type activities long-term liabilities decreased \$0.9 million to a total outstanding amount of \$73.7 million. The decrease is due to scheduled payments and a refunding of outstanding bonds with a principal balance of \$16.97 million. The general obligation bonds were issued to fund a refunding of Series 2007, 2008, and 2009 general and certificate of obligation bonds with an average interest rate of 2.29%. The City refunded the bonds to reduce its total debt service payments and to obtain an economic gain (difference between present value of the debt service payment on the old and new debt) of \$1,801,776.

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 17 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 15 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, 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$177,741,215.

The largest portion of the City's net position (70%) 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, \$46,943,193 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, 2017, 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 52,596,508	\$ 43,860,467	\$ 26,354,083	\$ 24,588,524	\$ 78,950,591	\$ 68,448,991
Capital assets	133,334,011	134,396,691	60,207,037	62,350,177	193,541,048	196,746,868
Total assets	185,930,519	178,257,158	86,561,120	86,938,701	272,491,639	265,195,859
Deferred outflows of resources	8,527,226	8,302,533	849,961	801,008	9,377,187	9,103,541
Current and other liabilities	2,640,142	2,890,530	3,376,349	3,574,823	6,016,491	6,465,353
Long-term liabilities	78,014,237	75,594,930	16,962,759	16,890,069	94,976,996	92,484,999
Total Liabilities	80,654,379	78,485,460	20,339,108	20,464,892	100,993,487	98,950,352
Deferred inflows of resources	2,862,824	1,180,111	271,300	113,600	3,134,124	1,293,711
Net position						
Net investment in capital assets	75,324,298	75,388,877	48,359,679	52,278,918	123,683,977	127,667,795
Restricted	7,114,045	7,145,838	-	-	7,114,045	7,145,838
Unrestricted	28,502,199	24,359,405	18,440,994	14,882,299	46,943,193	39,241,704
Total net position	\$ 110,940,542	\$ 106,894,120	\$ 66,800,673	\$ 67,161,217	\$ 177,741,215	\$ 174,055,337

Governmental activities. Net position increased by \$4,046,422 in fiscal year 2017. This is compared to an increase of \$3,944,530 in fiscal year 2016. During the current year, there were increases in property taxes, interest income earned and miscellaneous revenues. Governmental expenditures increased largely in the area of public safety and interest on long-term debt.

Business-type activities. Net position decreased by \$360,544 in the current year compared to decrease of \$89,486 in fiscal year 2016. The decrease in net position as compared to prior year is contributable to the increase in expenses related to water and sewer and sanitation. There were significant increases in the cost of supplying water and wastewater treatment, refuse collection expense, personnel costs, and repair and maintenance in the current year.

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

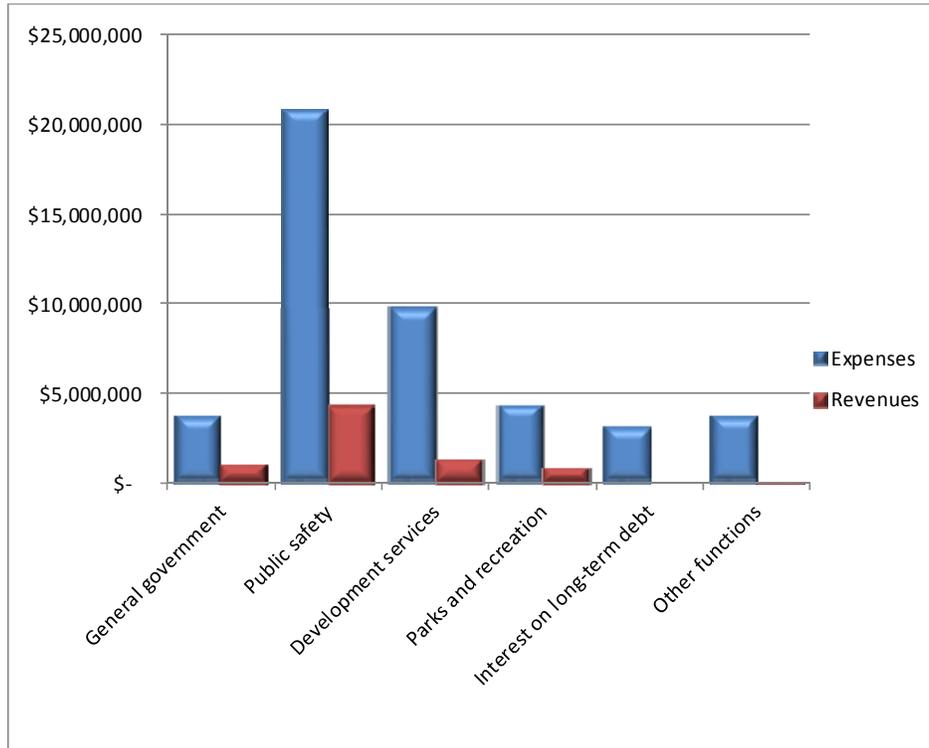
City of DeSoto's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for services	\$ 6,655,939	\$ 6,689,549	\$ 26,128,056	\$ 24,928,185	\$ 32,783,995	\$ 31,617,734
Operating grants and contributions	1,148,587	1,084,583	-	-	1,148,587	1,084,583
Capital grants and contributions	250,000	250,000	-	-	250,000	250,000
General Revenues:						
Property taxes	25,082,533	24,570,117	-	-	25,082,533	24,570,117
Other local taxes	11,549,332	12,865,327	-	-	11,549,332	12,865,327
Interest income	302,375	192,921	111,460	107,352	413,835	300,273
Miscellaneous	2,521,996	822,302	63,500	-	2,585,496	822,302
Total revenues	<u>47,510,762</u>	<u>46,474,799</u>	<u>26,303,016</u>	<u>25,035,537</u>	<u>73,813,778</u>	<u>71,510,336</u>
Expenses						
General government	3,683,213	6,116,384	-	-	3,683,213	6,116,384
Public Safety	20,858,244	19,523,630	-	-	20,858,244	19,523,630
Development services	9,785,883	9,599,031	-	-	9,785,883	9,599,031
Financial services	547,209	461,984	-	-	547,209	461,984
Municipal court	664,332	574,850	-	-	664,332	574,850
Information technology	1,032,524	767,304	-	-	1,032,524	767,304
Human resources	420,891	390,706	-	-	420,891	390,706
Parks and recreation	4,402,453	3,994,107	-	-	4,402,453	3,994,107
Library services	1,055,252	1,017,369	-	-	1,055,252	1,017,369
Interest on long-term debt	3,138,147	2,352,141	-	-	3,138,147	2,352,141
Water and sewer	-	-	19,002,233	17,589,431	19,002,233	17,589,431
Storm drainage	-	-	1,220,638	1,232,946	1,220,638	1,232,946
Sanitation	-	-	4,316,881	4,035,409	4,316,881	4,035,409
Total Expenses	<u>45,588,148</u>	<u>44,797,506</u>	<u>24,539,752</u>	<u>22,857,786</u>	<u>70,127,900</u>	<u>67,655,292</u>
Increase (decrease) in net position						
before transfers	1,922,614	1,677,293	1,763,264	2,177,751	3,685,878	3,855,044
Transfers	2,123,808	2,267,237	(2,123,808)	(2,267,237)	-	-
Change in net position	4,046,422	3,944,530	(360,544)	(89,486)	3,685,878	3,855,044
Net position - beginning	<u>106,894,120</u>	<u>102,949,590</u>	<u>67,161,217</u>	<u>67,250,703</u>	<u>174,055,337</u>	<u>170,200,293</u>
Net position - ending	<u>\$ 110,940,542</u>	<u>\$ 106,894,120</u>	<u>\$ 66,800,673</u>	<u>\$ 67,161,217</u>	<u>\$ 177,741,215</u>	<u>\$ 174,055,337</u>

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, 2017. Overall, the City had an increase in net position of \$3,685,878. Overall revenues and expenses increased over the prior year.

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 2017 fiscal year, the City's governmental funds reported combined ending fund balances of \$46,376,228, an increase of \$9,283,682 from the prior year. Approximately 51% of this total amount is available for spending at the City's discretion. A portion of the remaining fund balance in the amount of \$13,648,459 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 \$23,655,407, while the total fund balance was \$23,695,494. 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 70% of the general fund expenditures.

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

The final general fund budget for fiscal year 2017 reflected a decrease of \$1,982,825 in fund balance. The actual change in fund balance was an increase of \$2,738,741. Contributing factors was the realization of revenues \$2,661,331 over the budgeted amounts and overall expenditures \$3,922,586 under budgeted amounts. Key factors affecting fund balance are as follows:

- Total actual General Fund revenues of \$36,260,532 increased slightly from FY 2016 actuals by \$619,018 and were greater than budgeted FY 2017 by \$2,661,331.
 - Property tax revenue increased by \$691,400 from FY 2016 actuals as the overall property tax rate decreased by 0.7%; the number of parcels increased by 1.15%; and the taxable values increased by 12.89%.
 - Sales tax revenues decreased by \$1,210,575 and franchise fees decreased by \$48,715.
 - Intergovernmental revenue increased by \$703,995, which was due to the FEMA reimbursement for the Tornado disaster.
 - Charges for services increased by \$162,469 due primarily to ambulance service charges.
 - Recreation service fees decreased by \$20,878.
 - Fines and forfeitures decreased by \$39,372 due to a shift in traffic division personnel in the Police Department.
 - Licenses and permits increased by \$126,886 as the result of building permits and alarm permit fees.
 - Miscellaneous revenue increased by \$226,269 due to amounts received from insurance claims reimbursements.

- Total General Fund expenditures of \$34,034,335 decreased by \$119,456 from FY 2016 actuals and were less than budgeted FY 2017 amounts by \$3,922,586.
 - General government decreased by \$41,448 from FY 2016 actuals due to the transfer for future capital expenditures, expenditures related to the construction of retaining wall on Pleasant Run Road, and an increase in participant expenses for SWRCC.
 - Public safety – Police expenditures increased by \$261,430, primarily due to an increase in personnel salaries, equipment, and Animal Shelter Participant Share.
 - Public safety - Fire expenditures increased by \$558,526 primarily due to an increase in personnel costs.
 - Development Services expenditures increased by \$216,936 primarily due to an increase in personnel costs.
 - Financial services expenditures increased by \$60,574 primarily due to an increase in personnel costs.
 - Municipal Court expenditures increased by \$66,189 primarily due to an increase in personnel costs.
 - Information technology expenditures increased by \$256,710 due to additional personnel and computer software and equipment purchases.
 - Human Resources expenditures increased by \$19,284 for personnel and wellness and benefit expenditures.
 - Parks and recreation services expenditures increased by \$175,346 due to personnel and repair and maintenance of park facilities.
 - Library services expenditures increased by \$25,062 primarily due to an increase in personnel costs.
 - Non-departmental expenditures increased by decreased by \$2,336,224 due primarily to an economic incentive, based upon property tax revenues, provided by the City.
 - Capital outlay expenditures increased by \$658,149 due to large expenditures in FY 2017 related to machinery and equipment, motor vehicles and a fire truck.

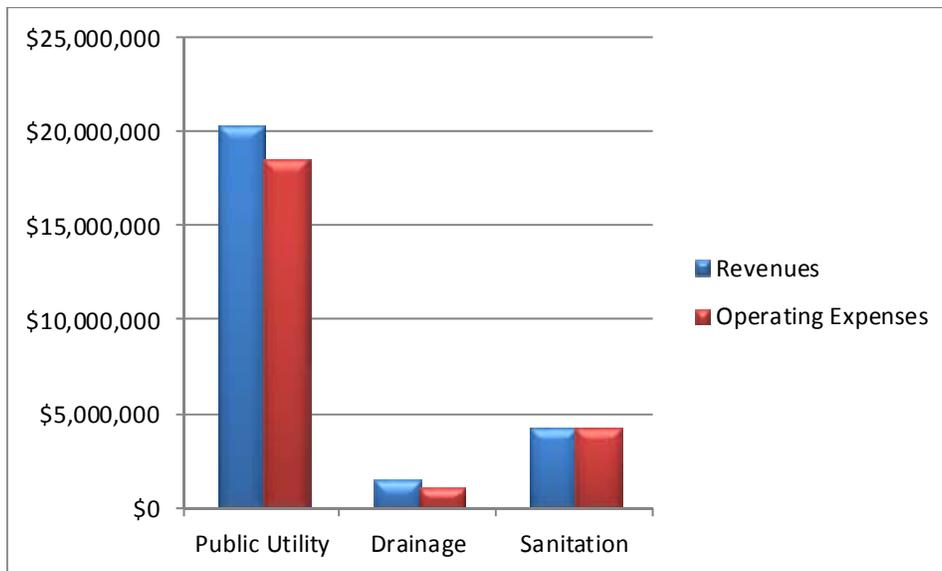
CITY OF DESOTO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The actual revenues of \$36,260,532 were more than the budgeted revenues by \$2,661,331. Property tax, sales tax, franchise fees, license and permits, intergovernmental, charges for services, investment earnings, and recreation services exceeded the budgeted amount. The actual expenditures of \$34,034,335 were \$3,922,586 less than final budgeted expenditures.

Debt service fund balance increased by \$446,677 due to the increase in tax revenue collected from improved taxable value and interest earnings on available funds.

The fund balance of the Street Improvement fund increased by \$3,378,510 net effect of capital expenditures and proceeds from the issuance of long term debt issued for the Chattey Road Project.

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 – \$13,780,589, Storm Drainage –\$2,713,871, and Sanitation – \$1,946,534. The net position for the Public Utility fund decreased \$706,311; Storm Drainage increased \$331,673 and Sanitation increased \$14,094. The overall change in net position for business-type activities was a decrease of \$360,544. Public Utility Fund revenues increased with a sewer service base rate and volume charge increase. Overall Proprietary Funds operating revenues of \$26,191,556 reflected an increase of \$ 1,263,371 or an increase of approximately 5.1% compared to FY 2016. Proprietary Funds operating expenses of \$23,978,860 reflected an increase of \$ 1,710,370 or an increase of approximately 7.7% from FY 2016. There were significant increases in the cost of supplying water and wastewater treatment, refuse collection expense, personnel costs, 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 2017, the City had \$193.5 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 \$3.2 million from the prior fiscal year.

City of DeSoto's Capital Assets (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 5,604	\$ 4,807	\$ 1,244	\$ 1,244	\$ 6,848	\$ 6,051
Construction in progress	10,133	8,627	2,363	5,072	12,496	13,699
Street/Alley ROW	14,073	14,073	-	-	14,073	14,073
Buildings	23,153	23,583	-	-	23,153	23,583
Infrastructure	76,853	80,631	55,784	55,267	132,637	135,898
Equipment and furniture	3,518	2,676	816	767	4,334	3,443
	<u>\$ 133,334</u>	<u>\$ 134,397</u>	<u>\$ 60,207</u>	<u>\$ 62,350</u>	<u>\$ 193,541</u>	<u>\$ 196,747</u>

Major capital asset events during the 2017 fiscal year include the following:

- **2017 Street Reconstruction:** The scope of work for this project will consist of the pulverization of the existing asphalt, cement stabilization of the base material to a depth of 6", and the construction of a new 6" asphalt roadway at the following locations: Winston Drive (Old Hickory-Danieldale), Silver Creek Drive (Peggs-220' West), Timberline Court, Forest Glen (Sapling-Sumac). In addition, Hampton Road (Warbler to South City Limits) and Live Oak Court will receive a 2" mill and overlay (M&O) treatment to further extend the life of the pavement. The estimated capitalized cost for this project is \$650,000.
- **Pleasant Run Road Screening Wall, Phase II:** The scope of work is the installation of a decorative concrete screening wall along the south side of Pleasant Run Road between Shadywood Lane and Hunters Creek Drive. The estimated capitalized cost for this project is \$90,000.
- **2014 Water and Sewer Renovation and Reconstruction:** The scope of this project consists of replacing approximately 2800 linear feet of water line as well as sidewalks along the north side of Belt Line Road and drive approaches as required. The replacement of the existing line will provide a substantial increase in water pressure for the affected businesses. The estimated capitalized cost for this project is \$450,000.

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 49,833	\$ 45,500	\$ 4,812	\$ 2,815	\$ 54,645	\$ 48,315
Certificates of obligation	8,795	13,730	10,305	12,565	19,100	26,295
	<u>\$ 58,628</u>	<u>\$ 59,230</u>	<u>\$ 15,117</u>	<u>\$ 15,380</u>	<u>\$ 73,745</u>	<u>\$ 74,610</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 48 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 2017. The City's tax rate will be reduced for the third year in a row in fiscal year 2018. The FY 2018 budget was adopted with total tax rate of \$.7399 per \$100 valuation and an Operation & Maintenance tax rate of \$0.5400 and Interest and Sinking tax rate of \$0.1999.

Sales Tax is the second largest revenue source. In 2017, retail and industry taxable sales were substantially unchanged. Revenue related to sales tax exceeded general fund budget by approximately 8.2%; with overall revenue slightly higher than FY2016. The budget estimates for Franchise Fees for FY 2017 actuals were consistent with prior year and exceeded budget expectations. In FY 2018 the budget for franchise fees have been conservatively budgeted to be consistent with FY2017. Charges for services exceeded current year budgeted revenues by \$458,620. Because this category of revenue collections can span a number of fiscal years it will be budgeted conservatively in FY 2018. Overall, budgeted revenue in the General Fund for FY 2018 increased by approximately \$1,337,820, which represents the increase in property tax revenue based on an increase in taxable values for FY18 budget.

The fiscal year 2018 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 2% increase for eligible employees. These normal increases appear in the budget each year in addition to any potential market adjustment. Also, programmed into FY 2018 budget were additional positions to enhance services and increased to insurance costs. The cost associated with personnel for the General Fund for fiscal year 2018 is approximately \$1.3 million, an overall increase of 5.7%.

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 2018 we will continue participation in TMRS, and the City's match will remain 2:1. In FY 2018, the actuarial rate will be 11.39%, which is an increase of 0.004% 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 2018 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) 230-9678, or email tcormier@desototexas.gov.

BASIC FINANCIAL STATEMENTS

CITY OF DESOTO, TEXAS
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		
	Governmental Activites	Business-type Activities	Total
Assets			
Cash and investments	\$ 45,192,926	\$ 22,866,832	\$ 68,059,758
Receivables, net of allowances	5,340,592	3,482,228	8,822,820
Inventories	39,087	5,023	44,110
Prepays	3,003	-	3,003
Notes receivable	1,100,000	-	1,100,000
Investment in joint ventures	920,900	-	920,900
Capital Assets:			
Non-depreciable	29,809,864	3,607,012	33,416,876
Depreciable, net	103,524,147	56,600,025	160,124,172
Total Capital Assets	133,334,011	60,207,037	193,541,048
Total Assets	185,930,519	86,561,120	272,491,639
Deferred Outflows of Resources			
Deferred amounts - pension related	8,064,867	737,200	8,802,067
Deferred charge on refunding	462,359	112,761	575,120
Total Deferred Outflows of Resources	8,527,226	849,961	9,377,187
Liabilities			
Accounts payable and accrued expenses	1,474,027	1,634,681	3,108,708
Accrued liabilities	781,175	74,218	855,393
Accrued interest	307,999	74,887	382,886
Unearned revenues	76,941	-	76,941
Customer deposits	-	1,592,563	1,592,563
Noncurrent liabilities:			
Due within one year	6,798,079	1,118,312	7,916,391
Due in more than one year	63,827,772	15,142,147	78,969,919
Net pension liability	7,388,386	702,300	8,090,686
Total Liabilities	80,654,379	20,339,108	100,993,487
Deferred Inflows of Resources			
Deferred Inflows - pension related	2,862,824	271,300	3,134,124
Total Deferred Inflows of Resources	2,862,824	271,300	3,134,124
Net Position			
Net investment in capital assets	75,324,298	48,359,679	123,683,977
Restricted for:			
Debt service	4,647,053	-	4,647,053
Public safety	1,040,401	-	1,040,401
Economic development	1,426,591	-	1,426,591
Unrestricted	28,502,199	18,440,994	46,943,193
Total Net Position	\$ 110,940,542	\$ 66,800,673	\$ 177,741,215

See notes to the financial statements.

Component Units	
Desoto Parks Development Corporation	Desoto Economic Development Corporation
\$ 506,857	\$ 3,731,516
127,345	394,162
-	-
-	-
-	325,961
-	-
11,250	-
1,998,274	-
<u>2,009,524</u>	<u>-</u>
<u>2,643,726</u>	<u>4,451,639</u>
-	102,400
-	9,868
-	<u>112,268</u>
-	173,847
-	-
9,137	10,133
-	-
-	-
390,000	220,000
1,355,000	1,771,025
-	91,800
<u>1,754,137</u>	<u>2,266,805</u>
-	43,100
-	<u>43,100</u>
255,387	-
-	-
-	-
-	-
634,202	2,254,002
<u>\$ 889,589</u>	<u>\$ 2,254,002</u>

CITY OF DESOTO, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 3,683,213	\$ 459,447	\$ 664,418	\$ -
Public safety	20,858,244	4,053,992	442,501	-
Development services	9,785,883	1,407,041	-	-
Financial services	547,209	-	-	-
Municipal court	664,332	-	26,800	-
Information technology	1,032,524	-	-	-
Human resources	420,891	-	-	-
Parks and recreation	4,402,453	698,496	5,923	250,000
Library services	1,055,252	36,963	8,945	-
Interest on long-term debt	3,138,147	-	-	-
Total Governmental Activities	45,588,148	6,655,939	1,148,587	250,000
Business-type Activities:				
Public utility	19,002,233	20,322,951	-	-
Storm drainage	1,220,638	1,545,804	-	-
Sanitation	4,316,881	4,259,301	-	-
Total Business-type Activities	24,539,752	26,128,056	-	-
Total Primary Government	\$ 70,127,900	\$ 32,783,995	\$ 1,148,587	\$ 250,000
Component Units				
DeSoto Parks Development Corporation	\$ 613,023	\$ -	\$ -	\$ -
DeSoto Economic Development Corporation	1,382,328	-	-	-
Total Component Units	\$ 1,995,351	\$ -	\$ -	\$ -

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

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 Economic Development Corporation
\$ (2,559,348)	\$ -	\$ (2,559,348)	\$ -	\$ -
(16,361,751)	-	(16,361,751)	-	-
(8,378,842)	-	(8,378,842)	-	-
(547,209)	-	(547,209)	-	-
(637,532)	-	(637,532)	-	-
(1,032,524)	-	(1,032,524)	-	-
(420,891)	-	(420,891)	-	-
(3,448,034)	-	(3,448,034)	-	-
(1,009,344)	-	(1,009,344)	-	-
(3,138,147)	-	(3,138,147)	-	-
<u>(37,533,622)</u>	<u>-</u>	<u>(37,533,622)</u>	<u>-</u>	<u>-</u>
-	1,320,718	1,320,718	-	-
-	325,166	325,166	-	-
-	(57,580)	(57,580)	-	-
<u>-</u>	<u>1,588,304</u>	<u>1,588,304</u>	<u>-</u>	<u>-</u>
<u>(37,533,622)</u>	<u>1,588,304</u>	<u>(35,945,318)</u>	<u>-</u>	<u>-</u>
			(613,023)	-
			-	(1,382,328)
25,082,533	-	25,082,533	-	-
3,017,636	-	3,017,636	-	-
7,628,513	-	7,628,513	766,248	1,907,128
903,183	-	903,183	-	-
302,375	111,460	413,835	1,265	19,152
2,521,996	63,500	2,585,496	-	-
2,123,808	(2,123,808)	-	-	-
<u>41,580,044</u>	<u>(1,948,848)</u>	<u>39,631,196</u>	<u>767,513</u>	<u>1,926,280</u>
4,046,422	(360,544)	3,685,878	154,490	543,952
<u>106,894,120</u>	<u>67,161,217</u>	<u>174,055,337</u>	<u>735,099</u>	<u>1,710,050</u>
<u>\$ 110,940,542</u>	<u>\$ 66,800,673</u>	<u>\$ 177,741,215</u>	<u>\$ 889,589</u>	<u>\$ 2,254,002</u>

CITY OF DESOTO, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Street Improvement</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ 22,355,829	\$ 3,619,198	\$ 7,671,336	\$ 11,546,563	\$ 45,192,926
Receivables, net:					
Taxes	2,097,494	237,204	-	76,383	2,411,081
Due from other governments	232,952	-	-	49,212	282,164
Accounts and other	2,644,251	-	-	2,096	2,646,347
Inventories	39,087	-	-	-	39,087
Prepaid items	1,000	-	-	3,003	4,003
Note receivable	-	1,100,000	-	-	1,100,000
Total Assets	<u>\$ 27,370,613</u>	<u>\$ 4,956,402</u>	<u>\$ 7,671,336</u>	<u>\$ 11,677,257</u>	<u>\$ 51,675,608</u>
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,195,896	\$ 1,350	\$ 131,261	\$ 145,520	\$ 1,474,027
Accrued liabilities	755,139	-	-	26,036	781,175
Unearned revenues	70,507	-	-	6,434	76,941
Total Liabilities	<u>2,021,542</u>	<u>1,350</u>	<u>131,261</u>	<u>177,990</u>	<u>2,332,143</u>
Deferred Inflows of Resources:					
Unavailable revenue	<u>1,653,577</u>	<u>1,313,660</u>	<u>-</u>	<u>-</u>	<u>2,967,237</u>
Total Deferred Inflows	<u>1,653,577</u>	<u>1,313,660</u>	<u>-</u>	<u>-</u>	<u>2,967,237</u>
Fund Balances:					
Nonspendable:					
Inventories	39,087	-	-	-	39,087
Prepays	1,000	-	-	-	1,000
Restricted:					
Debt service	-	3,641,392	-	-	3,641,392
Street improvements	-	-	7,540,075	-	7,540,075
Public safety	-	-	-	1,040,401	1,040,401
Economic development	-	-	-	1,426,591	1,426,591
Committed:					
Public health	-	-	-	20,076	20,076
Development activities	-	-	-	212,297	212,297
Assigned:					
Capital projects	-	-	-	8,799,902	8,799,902
Unassigned	<u>23,655,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,655,407</u>
Total Fund Balances	<u>23,695,494</u>	<u>3,641,392</u>	<u>7,540,075</u>	<u>11,499,267</u>	<u>46,376,228</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 27,370,613</u>	<u>\$ 4,956,402</u>	<u>\$ 7,671,336</u>	<u>\$ 11,677,257</u>	<u>\$ 51,675,608</u>

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, 2017

Total fund balance, governmental funds \$ 46,376,228

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. 133,334,011

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	(58,628,256)
Capital leases payable	(1,539,718)
Compensated absences	(4,613,704)
Accrued interest payable	(307,999)
Unamortized premium on bonds	(5,844,173)

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 2,967,237

Deferred loss on refunding 462,359

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	920,900
Net pension liability	(7,388,386)
Deferred outflows and inflows of resources related to the net pension liability	<u>5,202,043</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 110,940,542

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, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Street Improvement</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 17,792,986	\$ 7,346,245	\$ -	\$ -	\$ 25,139,231
Sales taxes	7,671,052	-	-	-	7,671,052
Franchise fees and other	2,975,097	-	-	-	2,975,097
Hotel occupancy tax	-	-	-	903,183	903,183
Fines and forfeitures	1,319,502	-	-	62,266	1,381,768
Licenses and permits	1,407,041	-	-	-	1,407,041
Intergovernmental	1,253,353	340,605	-	1,998,747	3,592,705
Charges for services	2,455,995	-	-	26,589	2,482,584
Investment earnings	150,457	35,764	46,933	69,221	302,375
Recreation services	683,748	-	-	-	683,748
Miscellaneous	551,301	-	-	2,814	554,115
Total Revenues	<u>36,260,532</u>	<u>7,722,614</u>	<u>46,933</u>	<u>3,062,820</u>	<u>47,092,899</u>
Expenditures					
Current:					
General government	1,017,178	-	-	445,497	1,462,675
Public safety:					
Police	9,181,220	-	-	1,481,750	10,662,970
Fire	7,705,240	-	-	3,382	7,708,622
Development services	4,984,007	-	-	-	4,984,007
Financial services	455,303	-	-	-	455,303
Municipal court	545,782	-	-	84,550	630,332
Information technology	878,203	-	-	-	878,203
Human resources	392,306	-	-	-	392,306
Parks and recreation	3,253,414	-	-	209,861	3,463,275
Library services	1,013,164	-	-	99,278	1,112,442
Non-departmental	2,494,918	-	-	38,350	2,533,268
Debt service:					
Principal	52,303	12,750,822	-	-	12,803,125
Interest and other charges	8,597	2,405,567	76,075	35,797	2,526,036
Capital outlay	<u>2,052,700</u>	<u>-</u>	<u>1,373,112</u>	<u>2,556,927</u>	<u>5,982,739</u>
Total Expenditures	<u>34,034,335</u>	<u>15,156,389</u>	<u>1,449,187</u>	<u>4,955,392</u>	<u>55,595,303</u>
Excess (deficiency) of revenues over expenditures	<u>2,226,197</u>	<u>(7,433,775)</u>	<u>(1,402,254)</u>	<u>(1,892,572)</u>	<u>(8,502,404)</u>
Other Financing Sources (Uses)					
Issuance of long-term debt	-	12,695,000	3,830,000	2,515,000	19,040,000
Capital lease	1,000,000	-	-	-	1,000,000
Sale of capital assets	54,486	-	-	-	54,486
Premium on issuance of bonds	-	1,991,153	246,075	305,797	2,543,025
Agent	-	(6,975,233)	-	-	(6,975,233)
Transfers in	2,218,808	195,832	704,689	2,012,204	5,131,533
Transfers out	(2,760,750)	(26,300)	-	(220,675)	(3,007,725)
Total Other Financing Sources (Uses)	<u>512,544</u>	<u>7,880,452</u>	<u>4,780,764</u>	<u>4,612,326</u>	<u>17,786,086</u>
Net change in fund balances	2,738,741	446,677	3,378,510	2,719,754	9,283,682
Fund balances - beginning	<u>20,956,753</u>	<u>3,194,715</u>	<u>4,161,565</u>	<u>8,779,513</u>	<u>37,092,546</u>
Fund balances - ending	<u>\$ 23,695,494</u>	<u>\$ 3,641,392</u>	<u>\$ 7,540,075</u>	<u>\$ 11,499,267</u>	<u>\$ 46,376,228</u>

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, 2017

Net change in fund balances - total governmental funds: \$ 9,283,682

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	5,982,739
Depreciation expense	(7,045,419)

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	(286,623)
Change in equity interest of joint venture	25,739

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	12,803,125
Payments to escrow agent for payment of refunded bonds	6,975,233
Proceeds from issuance of long-term debt	(19,040,000)
Proceeds from capital leases	(1,000,000)
Premium from issuance of long-term debt	(2,543,025)

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.

(1,430,362)

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	3,129
(Increase) decrease in compensated absences	(66,556)
Amortization of deferred loss on refunding	(33,155)
Amortization of deferred gain on refunding	29,906
Amortization of premium on bonds	388,009

Change in net position of governmental activities	\$ 4,046,422
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See notes to the financial statements.

CITY OF DESOTO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
Assets				
Current assets				
Cash and investments	\$ 18,349,694	\$ 2,699,663	\$ 1,817,475	\$ 22,866,832
Accounts receivable, net	2,749,919	169,034	563,275	3,482,228
Inventories	5,023	-	-	5,023
Total current assets	21,104,636	2,868,697	2,380,750	26,354,083
Non-current assets				
Capital assets:				
Land	583,160	341,196	320,087	1,244,443
Construction in progress	2,041,252	321,317	-	2,362,569
Improvements	9,524,634	5,002,363	548,503	15,075,500
Water and sewer systems	87,264,881	-	-	87,264,881
Drainage systems	-	13,338,414	-	13,338,414
Equipment and furniture	1,725,864	105,896	326,565	2,158,325
Accumulated depreciation	(52,802,167)	(8,129,047)	(305,881)	(61,237,095)
Total non-current assets	48,337,624	10,980,139	889,274	60,207,037
Total Assets	69,442,260	13,848,836	3,270,024	86,561,120
Deferred Outflows of Resources				
Deferred outflows - pension related	588,700	97,500	83,400	769,600
Deferred loss on bond refunding	26,923	53,438	-	80,361
Total Deferred Outflows of Resources	615,623	150,938	83,400	849,961
Liabilities				
Current Liabilities				
Accounts payable	1,141,457	134,665	358,559	1,634,681
Accrued liabilities	58,234	7,602	8,382	74,218
Accrued interest	62,372	12,515	-	74,887
Customer deposits	1,592,563	-	-	1,592,563
Compensated absences	61,983	17,487	10,644	90,114
Bonds payable	725,000	303,200	-	1,028,200
Total Current Liabilities	3,641,609	475,469	377,585	4,494,663
Non-current Liabilities				
Compensated absences	185,944	52,459	31,931	270,334
Bonds payable	12,369,548	2,502,263	-	14,871,811
Net pension liability	536,900	89,500	75,900	702,300
Total Non-current Liabilities	13,092,392	2,644,222	107,831	15,844,445
Total Liabilities	16,734,001	3,119,691	485,416	20,339,108
Deferred Inflows of Resources				
Deferred inflows - pension related	205,900	33,200	32,200	271,300
Net Position				
Net investment in capital assets	39,337,393	8,133,012	889,274	48,359,679
Unrestricted	13,780,589	2,713,871	1,946,534	18,440,994
Total Net Position	\$ 53,117,982	\$ 10,846,883	\$ 2,835,808	\$ 66,800,673

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, 2017

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
Revenues				
Charges for services	\$ 20,322,951	\$ 1,545,804	\$ 4,322,801	\$ 26,191,556
Total Revenues	<u>20,322,951</u>	<u>1,545,804</u>	<u>4,322,801</u>	<u>26,191,556</u>
Operating Expenses				
Personnel costs	1,849,120	310,061	330,629	2,489,810
Water supply	5,117,171	-	-	5,117,171
Wastewater treatment	6,445,764	-	-	6,445,764
Refuse collection	-	-	3,177,206	3,177,206
Administrative charges	1,319,803	102,673	500,000	1,922,476
Contractual services	189,130	19,152	199,952	408,234
Repairs and maintenance	803,170	4,405	46,106	853,681
Materials and supplies	137,994	3,434	21,175	162,603
Other	248,021	36,943	1,057	286,021
Depreciation	2,409,280	665,924	40,690	3,115,894
Total Operating Expenses	<u>18,519,453</u>	<u>1,142,592</u>	<u>4,316,815</u>	<u>23,978,860</u>
Operating income (loss)	<u>1,803,498</u>	<u>403,212</u>	<u>5,986</u>	<u>2,212,696</u>
Non-Operating Revenues (Expenses)				
Investment earnings	96,779	6,573	8,108	111,460
Interest expense	(482,780)	(78,112)	-	(560,892)
Total Non-Operating Revenues (Expenses)	<u>(386,001)</u>	<u>(71,539)</u>	<u>8,108</u>	<u>(449,432)</u>
Income (loss) before transfers	1,417,497	331,673	14,094	1,763,264
Transfers out	<u>(2,123,808)</u>	<u>-</u>	<u>-</u>	<u>(2,123,808)</u>
Change in net position	(706,311)	331,673	14,094	(360,544)
Net position - beginning	<u>53,824,293</u>	<u>10,515,210</u>	<u>2,821,714</u>	<u>67,161,217</u>
Total Net Position - ending	<u>\$ 53,117,982</u>	<u>\$ 10,846,883</u>	<u>\$ 2,835,808</u>	<u>\$ 66,800,673</u>

See notes to the financial statements.

CITY OF DESOTO, TEXAS
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
Cash flows from operating activities				
Receipts from customers	\$ 20,253,556	\$ 1,541,525	\$ 4,295,196	\$ 26,090,277
Payments to suppliers	(14,697,129)	(57,324)	(3,905,231)	(18,659,684)
Payments to employees	(1,766,908)	(281,973)	(308,863)	(2,357,744)
Net cash provided (used) by operating activities	<u>3,789,519</u>	<u>1,202,228</u>	<u>81,102</u>	<u>5,072,849</u>
Cash flows from noncapital financing activities				
Transfers out to other funds	(2,123,808)	-	-	(2,123,808)
Net cash provided (used) by noncapital financing activities	<u>(2,123,808)</u>	<u>-</u>	<u>-</u>	<u>(2,123,808)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of property, plant and equipment	(459,189)	(298,425)	(215,140)	(972,754)
Principal paid on long-term debt	30,000	(292,866)	-	(262,866)
Interest paid on long-term debt	(141,791)	(103,977)	-	(245,768)
Net cash provided (used) by capital and related financing activities	<u>(570,980)</u>	<u>(695,268)</u>	<u>(215,140)</u>	<u>(1,481,388)</u>
Cash flows from investing activities				
Interest received	175,273	10,019	10,258	195,550
Net cash provided (used) by investing activities	<u>175,273</u>	<u>10,019</u>	<u>10,258</u>	<u>195,550</u>
Net increase (decrease) in cash and cash equivalents	1,270,004	516,979	(123,780)	1,663,203
Cash and cash equivalents, beginning	<u>17,079,690</u>	<u>2,182,684</u>	<u>1,941,255</u>	<u>21,203,629</u>
Cash and cash equivalents, ending	<u>\$ 18,349,694</u>	<u>\$ 2,699,663</u>	<u>\$ 1,817,475</u>	<u>\$ 22,866,832</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, 2017

	Business-type Activities - Enterprise Funds			
	Public Utility	Drainage	Sanitation	Total
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,803,498	\$ 403,212	\$ 5,986	\$ 2,212,696
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	2,409,280	665,924	40,690	3,115,894
Change in assets and liabilities:				
Decrease (increase) in customer receivable	(156,225)	(4,279)	(27,605)	(188,109)
Decrease (increase) in inventory	1,663	-	-	1,663
Increase (decrease) in accounts payable	(435,045)	108,652	38,122	(288,271)
Increase (decrease) in accrued liabilities	(2,694)	631	2,143	80
Increase (decrease) in customer deposits	86,830	-	-	86,830
Increase (decrease) in compensated absences	(18,788)	12,088	4,766	(1,934)
Net pension liability/ net pension obligation	6,600	1,000	1,100	8,700
Pension related deferred inflows	118,900	18,800	20,000	157,700
Pension related deferred outflows	(24,500)	(3,800)	(4,100)	(32,400)
Total adjustments	1,986,021	799,016	75,116	2,860,153
Net cash provided (used) by operating activities	\$ 3,789,519	\$ 1,202,228	\$ 81,102	\$ 5,072,849

See notes to the financial statements.

CITY OF DESOTO, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2017

	<u>Agency Fund</u>
Assets	
Cash and investments	\$ 507,204
Total assets	<u>\$ 507,204</u>
Liabilities	
Due to Southwest Regional Communications Center	\$ 507,204
Total liabilities	<u>\$ 507,204</u>

See notes to the financial statements.

CITY OF DESOTO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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.

Street Improvement Fund – This fund accounts for the financial and construction costs of various street improvement projects within the City. General obligation and certificate of obligation bonds provide the financing.

The City reports the following major proprietary funds:

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

Investments consist of balances in privately managed public funds investment pools, investments in United States (U.S.) securities and U.S. Agency securities, municipal bonds, and certificates of deposit. 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. The City currently reports all investments at fair value, except for investment pools. The City's investment pools are valued and reported at amortized cost, which approximates fair value.

The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

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)

Investments (continued)

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

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

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, 2017, the City had a tax rate of \$.7449 per \$100, of which \$.5349 was allocated for general government, and \$.2100 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, 2017.

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, and 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, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition 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. Liabilities for compensated absences are normally expected to be liquidated with expendable available financial resources and are 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. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General	Debt Service	Total
Property taxes	\$ 503,797	\$ 213,660	\$ 717,457
Court fines and fees receivable	567,524	-	567,524
Ambulance	553,466	-	553,466
Alarm permits	28,790	-	28,790
Note receivable	-	1,100,000	1,100,000
Total	\$ 1,653,577	\$ 1,313,660	\$ 2,967,237

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.

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.
- **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.

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)

- 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.

E. Implementation of New Accounting Standards

In the current fiscal year, the City implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 82, *Pension Issues-An amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues.

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

Note 2. Cash and Investments

The City's investments at September 30, 2017, are as follows:

	Cash on Hand and Deposits	Local Government Investment Pools	Money Market & Insured Cash Sweep	Certificates of Deposit	Total
Governmental Activities:					
General Fund	\$ 15,205,829	\$ -	\$ -	\$ 7,150,000	\$ 22,355,829
Debt Service Fund	1,495,447	116,351	2,007,400	-	3,619,198
Street Improvement Fund	1,001,529	6,669,807	-	-	7,671,336
Aggregate Remaining	3,671,549	7,275,014	-	600,000	11,546,563
Total Governmental Activities	<u>21,374,354</u>	<u>14,061,172</u>	<u>2,007,400</u>	<u>7,750,000</u>	<u>45,192,926</u>
Business-type Activities:					
Public Utility	11,405,323	2,844,371	-	4,100,000	18,349,694
Drainage	2,048,474	51,189	-	600,000	2,699,663
Sanitation	1,467,475	-	-	350,000	1,817,475
Total Business-type Activities	<u>14,921,272</u>	<u>2,895,560</u>	<u>-</u>	<u>5,050,000</u>	<u>22,866,832</u>
Fiduciary Funds:					
Southwest Regional Communications Center	407,204	-	-	100,000	507,204
Total Primary Government	<u>36,702,830</u>	<u>16,956,732</u>	<u>2,007,400</u>	<u>12,900,000</u>	<u>68,566,962</u>
Component Units:					
Desoto Parks Development Corporation	498,738	8,119	-	-	506,857
Desoto Economic Development Corporation	2,981,516	-	-	750,000	3,731,516
Total Component Units	<u>3,480,254</u>	<u>8,119</u>	<u>-</u>	<u>750,000</u>	<u>4,238,373</u>
Total	<u>\$ 40,183,084</u>	<u>\$ 16,964,851</u>	<u>\$ 2,007,400</u>	<u>\$ 13,650,000</u>	<u>\$ 72,805,335</u>

As of September 30, 2017, the City's investments included privately managed public funds investment pools, investments in United States (U.S.) securities and U.S. Agency securities, municipal bonds, and certificates of deposit. The investment pools are recorded at amortized costs and the remaining investments are recorded at their fair value measured with level 2 inputs.

The City participates in the Texas Local Government Investment Pool ("TexPool"), a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

Texas CLASS, the Texas Cooperative Liquid Asset Securities System (Trust Company) was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. It is administered and managed by Public Trust Advisors, LLC and Wells Fargo Bank N.A. is the custodial bank. The primary objectives of Texas CLASS Investment Pool, is to maintain safety of principal while providing participating government entities with the highest possible rate of return for invested funds. The City's amortized cost in the Texas CLASS Investment Pool is the same as the value of the pool shares.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

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

Note 2. Cash and Investments (continued)

Credit Risk

In compliance with the City’s investment policy as of September 30, 2017, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, 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, 2017:

	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Percentage of Investments</u>
Investment Type:			
Local Government Investment Pools:			
TexPool	\$ 159,282	AAAm	0.49%
Texas CLASS	<u>16,805,569</u>	AAAm	<u>51.52%</u>
Total Local Government Investment Pools	<u>16,964,851</u>		<u>52.00%</u>
Investment Securities:			
Certificates of Deposit	13,650,000	N/A	41.84%
Money Market & Insured Cash Sweep	<u>2,007,400</u>	N/A	<u>6.15%</u>
Total Investment Securities	<u>15,657,400</u>		<u>48.00%</u>
	<u>\$ 32,622,251</u>		<u>100.00%</u>

Interest Rate Risk

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

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

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

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

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

Note 2. Cash and Investments (continued)

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

	Fair Market Value	Weighted Average Maturity (Days)	Percentage of Investments
Governmental Activities:			
Certificates of deposit	\$ 7,750,000	291	23.76%
Investments:			
Local Government Investment Pools:			
TexPool	151,163	37	0.46%
Texas CLASS	13,910,009	54	42.64%
Total Local Government Investment Pools	14,061,172		43.10%
Investment Securities:			
Money Market & Insured Cash Sweep	2,007,400	1	6.15%
Total Investment Securities	2,007,400		6.15%
Total Governmental Activities	23,818,572	127	73.01%
Business-type Activities:			
Certificates of deposit	5,050,000	209	15.48%
Investments:			
Local Government Investment Pools:			
Texas CLASS	2,895,560	54	8.88%
Total Local Government Investment Pools	2,895,560		8.88%
Total Business-type Activities	7,945,560	153	24.36%
Fiduciary Funds:			
Certificates of deposit	100,000	165	0.31%
Investments:			
Component Units:			
Certificates of deposit	750,000	143	2.30%
Investments:			
Local Government Investment Pools:			
TexPool	8,119	37	0.02%
Total Local Government Investment Pools	8,119		0.02%
Total Component Units Funds	758,119	142	2.32%
Total	\$ 32,622,251	133	100.00%

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, 2017. The City reported bank deposits in the amount of \$37,436,297 and the book balances totaled \$37,201,568 at September 30, 2017.

As of September 30, 2017, all of DEDC's and DPDC's deposits were fully insured by FDIC insurance or collateralized.

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

Note 3. Receivables

Receivables at September 30, 2017, for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Major Funds				Total
	General	Debt Service	Street Improvement	Nonmajor Governmental	
Receivables:					
Property taxes	\$ 621,088	\$ 263,562	\$ -	\$ -	\$ 884,650
Sales tax	1,538,515	-	-	-	1,538,515
Hotel occupancy tax	-	-	-	76,383	76,383
Due from other governments	232,952	-	-	49,212	282,164
Court fines	5,675,241	-	-	-	5,675,241
Ambulance	6,965,777	-	-	-	6,965,777
Franchise fees	816,666	-	-	-	816,666
Alarm permits	173,908	-	-	-	173,908
Other	677,804	-	-	2,096	679,900
Gross receivables	16,701,951	263,562	-	127,691	17,093,204
Less: allowance for uncollectibles	(11,727,254)	(26,358)	-	-	(11,753,612)
Net total receivables	\$ 4,974,697	\$ 237,204	\$ -	\$ 127,691	\$ 5,339,592

	Proprietary Funds			
	Public Utility	Drainage	Sanitation	Total
Customer accounts	\$ 2,777,991	\$ 171,363	\$ 567,823	\$ 3,517,177
Other	6,940	-	2,314	9,254
Gross receivables	2,784,931	171,363	570,137	3,526,431
Less allowance for uncollectibles	(35,012)	(2,329)	(6,862)	(44,203)
Total	\$ 2,749,919	\$ 169,034	\$ 563,275	\$ 3,482,228

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, 2017, is as follows:

Governmental activities	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,806,922	\$ 797,368	\$ -	\$ 5,604,290
Street/Alley ROW	14,072,949	-	-	14,072,949
Construction in progress	8,626,868	2,127,413	(621,656)	10,132,625
Total capital assets, not being depreciated	27,506,739	2,924,781	(621,656)	29,809,864
Capital assets, being depreciated:				
Buildings	37,845,114	609,351	(45,470)	38,408,995
Infrastructure	167,858,130	658,341	621,656	169,138,127
Equipment and furniture	13,670,255	1,790,266	(230,012)	15,230,509
Total capital assets, being depreciated	219,373,499	3,057,958	346,174	222,777,631
Less accumulated depreciation for:				
Buildings	14,262,096	993,871	-	15,255,967
Infrastructure	87,226,830	5,057,823	-	92,284,653
Equipment and furniture	10,994,621	993,725	(275,482)	11,712,864
Total accumulated depreciation	112,483,547	7,045,419	(275,482)	119,253,484
Total capital assets - being depreciated	106,889,952	(3,987,461)	621,656	103,524,147
Governmental capital assets, net	\$ 134,396,691	\$ (1,062,680)	\$ -	\$ 133,334,011
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 1,244,443	\$ -	\$ -	\$ 1,244,443
Construction in progress	5,072,336	757,614	(3,467,381)	2,362,569
Total capital assets, not being depreciated	6,316,779	757,614	(3,467,381)	3,607,012
Capital assets, being depreciated:				
Water and sewer system	83,875,478	-	3,389,403	87,264,881
Drainage system	13,260,436	-	77,978	13,338,414
Improvements	15,075,500	-	-	15,075,500
Equipment and furniture	2,125,168	215,140	(181,983)	2,158,325
Total capital assets, being depreciated	114,336,582	215,140	3,285,398	117,837,120
Less accumulated depreciation for:				
Water and sewer system	44,072,782	2,055,496	-	46,128,278
Drainage system	4,466,842	539,656	-	5,006,498
Improvements	8,405,788	354,483	-	8,760,271
Equipment and furniture	1,357,772	166,259	(181,983)	1,342,048
Total accumulated depreciation	58,303,184	3,115,894	(181,983)	61,237,095
Total capital assets - being depreciated	56,033,398	(2,900,754)	3,467,381	56,600,025
Business-type capital assets, net	\$ 62,350,177	\$ (2,143,140)	\$ -	\$ 60,207,037

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:

DeSoto Park Development Corporation:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 11,250	\$ -	\$ -	\$ 11,250
Total capital assets, not being depreciated	11,250	-	-	11,250
Capital assets, being depreciated:				
Improvements	5,324,530	-	-	5,324,530
Total capital assets, being depreciated	5,324,530	-	-	5,324,530
Less accumulated depreciation for:				
Improvements	3,175,682	150,574	-	3,326,256
Total accumulated depreciation	3,175,682	150,574	-	3,326,256
Total capital assets - being depreciated	2,148,848	(150,574)	-	1,998,274
DeSoto Park Development Corporation capital assets, net	\$ 2,160,098	\$ (150,574)	\$ -	\$ 2,009,524
DeSoto Economic Development Corporation:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, being depreciated:				
Furniture and equipment	\$ 69,879	\$ -	\$ -	\$ 69,879
Total capital assets, being depreciated	69,879	-	-	69,879
Less accumulated depreciation for:				
Furniture and equipment	69,879	-	-	69,879
Total accumulated depreciation	69,879	-	-	69,879
Total capital assets - being depreciated	-	-	-	-
DeSoto Economic Development Corporation capital assets, net	\$ -	\$ -	\$ -	\$ -

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:

	Depreciation Expense
Primary government	
Governmental activities:	
General government	\$ 389,025
Public safety	885,950
Development services	4,676,291
Parks and recreation	906,128
Library services	22,469
Financial services	42,903
Information technology	122,653
Total Governmental activities	7,045,419
Business-type activities:	
Water and sewer	2,409,280
Drainage	665,924
Sanitation	40,690
Total Business-type activities:	3,115,894
Total primary government	\$ 10,161,313

Construction commitments

The City has active construction projects as of September 30, 2017. At year end, the City's commitments with contractors were as follows:

Projects	Construction Commitment	Construction in Progress	Remaining Commitment
Street improvements	\$ 11,386,572	\$ 10,132,625	\$ 1,253,947
Drainage	379,127	321,317	57,810
Water and sewer	2,540,689	2,041,252	499,437
Total Commitments	\$ 14,306,388	\$ 12,495,194	\$ 1,811,194

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, 2017, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental activities:					
General obligation bonds	\$ 45,500,391	\$ 15,210,000	\$ (10,877,135)	\$ 49,833,256	\$ 4,366,800
Certificates of obligation	13,730,000	3,830,000	(8,765,000)	8,795,000	1,060,000
Bond premium	3,887,036	2,543,025	(585,888)	5,844,173	-
Capital leases	635,708	1,000,000	(95,990)	1,539,718	217,853
Compensated absences	4,547,148	117,389	(50,833)	4,613,704	1,153,426
Governmental activity					
Long-term liabilities	<u>\$ 68,300,283</u>	<u>\$ 22,700,414</u>	<u>\$ (20,374,846)</u>	<u>\$ 70,625,851</u>	<u>\$ 6,798,079</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
General obligation bonds	\$ 2,814,610	\$ 2,290,000	\$ (292,866)	4,811,744	\$ 303,200
Certificates of obligation	12,565,000	955,000	(3,215,000)	10,305,000	725,000
Bond premium	454,477	403,993	(75,203)	783,267	-
Compensated absences	362,382	3,320	(5,254)	360,448	90,112
Business-type activity					
Long-term liabilities	<u>\$ 16,196,469</u>	<u>\$ 3,652,313</u>	<u>\$ (3,588,323)</u>	<u>\$ 16,260,459</u>	<u>\$ 1,118,312</u>

Changes in the discretely presented component units' long-term liabilities for the year ended September 30, 2017, are as follows:

DeSoto Park Development Corporation	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue refunding bonds	\$ 1,150,000	\$ -	\$ (170,000)	\$ 980,000	\$ 180,000
Note payable	970,000	-	(205,000)	765,000	210,000
Total	<u>\$ 2,120,000</u>	<u>\$ -</u>	<u>\$ (375,000)</u>	<u>\$ 1,745,000</u>	<u>\$ 390,000</u>
DeSoto Economic Development Corporation:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue refunding bonds	\$ 1,830,000	\$ -	\$ (200,000)	\$ 1,630,000	\$ 205,000
Premium on bond issuance	29,742	-	(3,717)	26,025	-
Compensated absences	22,303	-	(22,303)	-	-
Note payable	350,000	-	(15,000)	335,000	15,000
Total	<u>\$ 2,232,045</u>	<u>\$ -</u>	<u>\$ (241,020)</u>	<u>\$ 1,991,025</u>	<u>\$ 220,000</u>

For governmental activities, 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 and certificates of obligation for Governmental Activities outstanding at September 30, 2017, consist of the following individual issues:

General Obligation Bonds:	Interest Rates	Final Maturity Date	Outstanding 09/30/17
2008 General Obligation	3.25 - 4.0%	2/15/18	\$ 230,000
2009 General Obligation & Refunding	3.0 - 4.5%	2/15/29	2,628,256
2011 Refunding	2.0 - 4.0%	2/15/31	935,000
2012 Refunding	3.0 - 5.0%	2/15/25	13,570,000
2013 Refunding	2.0 - 4.0%	2/15/25	5,795,000
2015 General Obligation	2.5 - 4.0%	2/15/30	3,395,000
2016 Refunding	2.0% - 3.0%	2/15/36	6,105,000
2016 Refunding (Taxable)	2.25% - 4.0%	2/15/36	1,965,000
2017 Refunding	2.0% - 4.0%	2/15/37	15,210,000
Total general obligation bonds			<u>49,833,256</u>
Certificates of Obligation:			
2008 Tax and Revenue	2.8 - 4.0%	2/15/18	40,000
2009 Tax and Revenue	3.0 - 4.5%	2/15/18	255,000
2011A Tax and Revenue	4.75- 5.75%	2/15/31	760,000
2011B Tax and Revenue	2.0%	2/15/31	800,000
2015 Tax and Revenue	2.5% - 3.5%	2/15/30	2,165,000
2016 Tax and Revenue	2.5% - 4.0%	2/15/36	945,000
2017 Tax and Revenue	2.0% - 4.0%	2/15/37	3,830,000
Total certificates of obligation			<u>8,795,000</u>
Total bonds and certificates payable			<u>\$ 58,628,256</u>

On June 29, 2017, the City issued \$17,500,000 of General Obligation Refunding and Improvement Bonds, Series 2017, and \$4,785,000 of Combination Tax and Revenue Certificates of Obligation, Series 2017. The interest rates for both of the debt issuances are 2.0% to 4.0%. Proceeds from the bonds will be used for (i) refunding a portion of the City's debt for debt service savings (ii) constructing, improving and equipping firefighting facilities; (iii) constructing, improving and equipping park and recreation facilities; and (iv) paying costs of professional services including the costs of issuance of the Bonds. Proceeds from the sale of the Certificates will be used to (i) design and construct street and roadway improvements on Chattey Road, including certain road, street, sidewalks, alleyways, curb, drainage, water and sewer, and related improvements; (ii) design and construct street and roadway improvements on Hampton Road, including certain road, street, sidewalks, alleyways, curb, drainage and related improvements; (iii) alley reconstruction at various locations throughout the City; (iv) roadway improvement projects with Dallas County on Pleasant Run Road; and (v) roadway improvement projects with Dallas County on Westmoreland Road; and (vi) professional services rendered in connection with the above listed projects. The City recognized a net carrying value that exceeded the total reacquisition price of the old debt by \$118,148, which is also known as a refunding gain. This amount is netted against the new debt and amortized over the remaining life of the new debt, which was equal and or shorter than the refunded debt. The refunding was undertaken to reduce total debt service payments and the City achieved a cash flow difference and an economic gain of \$1,801,776. The aggregate difference in debt service between the refunding debt and the refunded debt is \$2,266,490. The total amount of bonds and certificates refunded was \$16,975,000, with \$7,495,000 representing a current refunding transaction and \$9,480,000 representing an advance refunding transaction.

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

Note 5. Long-term Liabilities (continued)

The bonds and certificates refunded were \$2,500,000 of Series 2017A Combination Tax and Revenue Certificates of Obligation, \$1,300,000 of Series 2007 Combination Tax and Revenue Certificates of Obligation, \$3,695,000 of Series 2007 General Obligation Bonds, \$475,000 of Series 2008 Combination Tax and Revenue Certificates of Obligation, \$2,880,000 of Series 2008 General Obligation Bonds, and \$3,580,000 of Series 2009 Combination Tax and Revenue Certificates of Obligation.

Business-Type Activities

General obligation bonds and certificates of obligation for Business-Type Activities outstanding at September 30, 2017, consist of the following individual issues:

General Obligation Bonds:	Interest Rates	Final Maturity Date	Outstanding 09/30/17
2009 Refunding Bonds	3.0 - 4.5%	2/15/29	\$ 16,744
2012 Refunding Bonds	3.0 - 5.0%	2/15/25	1,560,000
2013 Refunding Bonds	2.0 - 4.0%	2/15/25	395,000
2016 Refunding Bonds	2.0% - 3.0%	2/15/26	550,000
2017 Refunding Bonds	2.0% - 4.0%	2/15/37	2,290,000
Total general obligation bonds			<u>4,811,744</u>
Certificates of Obligation:			
2009 Tax and Revenue	3.0 - 4.5%	2/15/18	180,000
2010 Tax and Revenue	2.0 - 4.3%	2/15/30	3,615,000
2011B Tax and Revenue	2.0 - 4.0%	2/15/31	2,300,000
2013 Tax and Revenue	2.0 - 3.5%	2/15/33	3,255,000
2017 Tax and Revenue	2.0% - 4.0%	2/15/2037	955,000
Total certificates of obligation			<u>10,305,000</u>
Total bonds and certificates			<u>\$ 15,116,744</u>

Component Units

Revenue bonds and notes payable for Component Units outstanding at September 30, 2017, consist of the following individual issues:

DeSoto Park Development Corporation	Interest Rates	Final Maturity Date	Outstanding 09/30/17
Bonds:			
2011 Revenue Refunding Bonds	2.0 - 4.0%	2/15/22	\$ 980,000
Notes Payable:			
City of DeSoto -2009 GOs	3.0 - 4.5%	2/15/29	270,000
City of DeSoto - 2012 GOs	3.0 - 5.0%	2/15/25	495,000
Total bonds and notes payable			<u>765,000</u>

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

Note 5. Long-term Liabilities (continued)

Component Units (continued)

DeSoto Economic Development Corporation	Interest Rates	Final Maturity Date	Outstanding 09/30/17
Bonds:			
2011 Revenue Refunding Bonds	2.0 - 4.0%	2/15/24	\$ 1,630,000
Notes Payable:			
City of DeSoto - 2011A COs	4.75 - 5.75%	2/15/31	<u>335,000</u>
Total bonds and notes payable			<u><u>\$ 1,965,000</u></u>

Amortization Schedules

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

General Obligation Bonds

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 4,366,800	\$ 1,969,966	\$ 303,200	\$ 200,360
2019	4,906,456	1,733,929	483,544	175,446
2020	4,850,000	1,560,538	505,000	158,725
2021	5,045,000	1,365,306	520,000	139,150
2022	5,260,000	1,152,394	545,000	117,300
2023-2027	19,965,000	2,747,169	1,950,000	284,575
2028-2032	3,795,000	488,850	505,000	20,500
2033-2037	1,645,000	136,256	-	-
	<u>\$ 49,833,256</u>	<u>\$ 11,154,408</u>	<u>\$ 4,811,744</u>	<u>\$ 1,096,056</u>

Certificates of Obligation

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 1,060,000	\$ 306,363	\$ 725,000	\$ 365,931
2019	335,000	269,644	560,000	342,656
2020	345,000	259,281	575,000	326,569
2021	350,000	248,819	595,000	308,069
2022	355,000	237,069	615,000	286,094
2023-2027	2,490,000	952,944	3,455,000	1,058,269
2028-2032	2,390,000	484,513	3,220,000	366,797
2033-2037	1,470,000	141,425	560,000	35,963
	<u>\$ 8,795,000</u>	<u>\$ 2,900,058</u>	<u>\$ 10,305,000</u>	<u>\$ 3,090,348</u>

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

Note 5. Long-term Liabilities (continued)

Notes Payable

<u>Fiscal Year</u>	<u>DPDC</u>		<u>DEDC</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	110,000	8,500	20,000	14,875
2022	115,000	2,875	20,000	13,875
2023-2027	-	-	115,000	52,381
2028-2032	-	-	125,000	14,806
	<u>\$ 765,000</u>	<u>\$ 75,950</u>	<u>\$ 335,000</u>	<u>\$ 146,143</u>

Revenue Refunding Bonds

<u>Fiscal Year</u>	<u>DPDC</u>		<u>DEDC</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	205,000	12,700	230,000	34,800
2022	215,000	4,300	245,000	25,300
2023-2027	-	-	510,000	20,600
	<u>\$ 980,000</u>	<u>\$ 101,600</u>	<u>\$ 1,630,000</u>	<u>\$ 236,276</u>

In prior years and during the current year, the City defeased, certain debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At September 30, 2017, \$9,480,000 of the defeased debt remains outstanding.

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 is \$2,160,368, and accumulated depreciation is \$731,165, with a carrying value of \$1,429,203 as of September 30, 2017.

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, 2017:

Fiscal Year	Amount
2018	\$ 259,143
2019	259,143
2020	199,713
2021	199,713
2022	199,713
2023-2027	599,138
Minimum lease payments	1,716,563
Less amount representing interest	(176,845)
Total	\$ 1,539,718

Note 6. Interfund Balances and Transfers

Due to/from Other Funds

There were no interfund balances outstanding as of September 30, 2017.

Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2017, is as follows:

Transfer from	Transfer to	Amount	Purpose
General fund	Debt service	\$ 91,857	To fund debt service
	Nonmajor governmental	540,000	Parks capital improvement projects
	Nonmajor governmental	704,689	Street improvement projects
	Nonmajor governmental	387,752	Public facilities capital improvement projects
	Nonmajor governmental	1,000,000	City improvement projects
Debt service	Nonmajor governmental	36,452	Grant reimbursement
	General fund	26,300	Miscellaneous
Nonmajor governmental	General fund	68,700	Miscellaneous
	Debt service	103,975	To fund debt service
	Nonmajor governmental	48,000	Public facilities capital improvement projects
Public utility	General	2,123,808	PILOT, franchise fees, energy management grant, and maintenance and equipment
		\$ 5,131,533	

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 872 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.tmrs.com.

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

Benefits Provided

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

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

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

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

Note 7. Employee Retirement System (continued)

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	207
Inactive employees entitled to but not yet receiving benefits	199
Active employees	<u>342</u>
	748

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 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.5% and 11.0% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$2,402,016, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expenses, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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

Note 7. Employee Retirement System (continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee 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 active and inactive employees. 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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2015	\$ 105,925,002	\$ 97,192,755	\$ 8,732,247
Changes for the year			
Service Cost	3,465,471	-	3,465,471
Interest (on the Total Pension Liability)	7,110,831	-	7,110,831
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(292,389)	-	(292,389)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(4,624,192)	(4,624,192)	-
Contributions – employer	-	2,198,752	(2,198,752)
Contributions – employee	-	1,482,781	(1,482,781)
Net investment income	-	6,568,321	(6,568,321)
Administrative Expense	-	(74,183)	74,183
Other	-	(3,997)	3,997
Balance at 12/31/2016	<u>\$ 111,584,723</u>	<u>\$ 102,740,237</u>	<u>\$ 8,844,486</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>	<u>Total</u>	<u>City of DeSoto</u>	<u>DEDC</u>	<u>SWRCC</u>
1% Decrease (5.75%)	\$ 24,690,348	\$ 22,543,189	\$ 345,851	\$ 1,801,308
Current Single Rate (6.75%)	8,844,486	8,090,686	91,800	662,000
1% Increase (7.75%)	(4,148,040)	(3,787,312)	(58,104)	(302,624)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized a pension expense of \$4,115,378.

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

Note 7. Employee Retirement System (continued)

At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ 1,099,185
Difference in change in assumptions	943,093	-
Difference in projected and actual earnings on pension plan investments	4,142,120	-
Contributions subsequent to the measurement date	1,702,515	-
Total	\$ 6,787,728	\$ 1,099,185

\$1,702,515 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2018	1,373,388
2019	1,411,594
2020	1,232,217
2021	(31,171)
Total	\$ 3,986,028

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.

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

Note 8. Postretirement Benefits (continued)

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 2015, 2016 and 2017 are as follows:

Year	Annual Required Contribution	Annual Contribution Made	Percentage of ARC Contributed	Net OPEB Obligation
2015	30,307	30,307	100%	-
2016	32,512	32,512	100%	-
2017	32,761	32,761	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.

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.

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

Note 10. Commitments and Contingencies (continued)

Total payments made by the City under the contract amounted to \$6,445,764 for 2017. 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 2017, 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.

DEDC

As of September 30, 2017, the DEDC had approved several grants totaling approximately \$12,931,037 payable in subsequent years, to certain businesses in the City. The payments of the grants are contingent on the businesses remaining in the City.

DEDC grant commitments are scheduled as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 1,738,177
2019	846,510
2020	295,610
2021	295,610
2022	295,610
2023-2027	1,478,050
2028-2032	1,478,050
2033-2037	1,478,050
2038-2042	1,478,050
2043-2047	1,478,050
2048-2052	1,478,050
2053-2054	591,220
Total	<u>\$ 12,931,037</u>

Other Contingencies

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

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 2017, the City contributed \$587,735 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, 2017, is \$435,138. 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 2017, the City contributed \$247,694 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, 2017, is \$485,762.

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.

<u>Purpose</u>	<u>Percentage of Taxes Abated during Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
E- fulfillment Distribution Center develops property and increases property tax base	95%	\$ 2,088,620
E- fulfillment Distribution Center operations generates sales tax revenue	90%	\$ 716,958
Warehouse and Distribution Center leases property and generates business personal property tax revenue	100%	\$ 185,651

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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, 2017

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 17,357,343	\$ 17,357,343	\$ 17,792,986	\$ 435,643
Sales taxes	7,085,000	7,085,000	7,671,052	586,052
Franchise fees and other	2,940,000	2,940,000	2,975,097	35,097
Fines and forfeitures	1,382,000	1,382,000	1,319,502	(62,498)
Licenses and permits	954,150	954,150	1,407,041	452,891
Intergovernmental	456,550	456,550	1,253,353	796,803
Charges for services	1,968,700	2,008,700	2,455,995	447,295
Investment earnings	56,238	56,238	150,457	94,219
Recreation services	634,790	634,790	683,748	48,958
Miscellaneous	214,430	724,430	551,301	(173,129)
Total Revenues	<u>33,049,201</u>	<u>33,599,201</u>	<u>36,260,532</u>	<u>2,661,331</u>
Expenditures				
Current:				
General government	1,724,663	1,748,107	1,017,178	730,929
Public safety:				
Police	9,336,803	9,340,978	9,181,220	159,758
Fire	7,799,468	7,776,141	7,705,240	70,901
Development services	5,270,085	5,421,045	4,984,007	437,038
Financial services	1,253,244	1,264,454	455,303	809,151
Municipal court	568,835	557,625	545,782	11,843
Information technology	1,240,358	1,242,658	878,203	364,455
Human resources	576,362	596,362	392,306	204,056
Parks and recreation	3,278,460	3,369,793	3,253,414	116,379
Library services	1,075,421	1,075,421	1,013,164	62,257
Non-departmental	2,500,653	2,547,878	2,494,918	52,960
Debt service:				
Principal	186,959	186,959	52,303	134,656
Interest and other charges	41,904	41,904	8,597	33,307
Capital outlay	<u>1,239,300</u>	<u>2,787,596</u>	<u>2,052,700</u>	<u>734,896</u>
Total Expenditures	<u>36,092,515</u>	<u>37,956,921</u>	<u>34,034,335</u>	<u>3,922,586</u>
Excess (deficiency) of revenues over expenditures	<u>(3,043,314)</u>	<u>(4,357,720)</u>	<u>2,226,197</u>	<u>6,583,917</u>
Other Financing Sources (Uses)				
Issuance of long-term debt	-	1,000,000	1,000,000	-
Sale of capital assets	45,000	45,000	54,486	9,486
Transfers in	4,090,645	4,090,645	2,218,808	(1,871,837)
Transfers out	(2,008,114)	(2,760,750)	(2,760,750)	-
Total Other Financing Sources (Uses)	<u>2,127,531</u>	<u>2,374,895</u>	<u>512,544</u>	<u>(1,862,351)</u>
Net change in fund balances	(915,783)	(1,982,825)	2,738,741	4,721,566
Fund balances - beginning	<u>20,956,753</u>	<u>20,956,753</u>	<u>20,956,753</u>	<u>-</u>
Fund balances - ending	<u>\$ 20,040,970</u>	<u>\$ 18,973,928</u>	<u>\$ 23,695,494</u>	<u>\$ 4,721,566</u>

CITY OF DESOTO, TEXAS
NOTES TO BUDGETARY SCHEDULE
September 30, 2017

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 2017.
- 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, Industrial Development Authority Fund, and the Community Development Block Grant 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, 2017, expenditures exceeded appropriations in the in the principal retirement function for the Debt Service Fund by \$7,522,347. These excess expenditures were due to the current refunding transaction of the Series 2017 bonds.

CITY OF DESOTO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Three Measurement Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Total pension liability			
1. Service Cost	\$ 3,465,471	\$ 3,177,007	\$ 2,763,679
2. Interest (on the Total Pension Liability)	7,110,831	6,960,684	6,674,548
3. Changes of benefit terms	-	-	(4,591,077)
4. Difference between expected and actual experience	(292,389)	(1,294,146)	(710,026)
5. Changes of assumptions	-	1,862,527	-
6. Benefit payments, including refunds of employee contributions	(4,624,192)	(5,261,823)	(4,432,593)
7. Net change in total pension liability	5,659,721	5,444,249	(295,469)
8. Total pension liability – beginning	105,925,002	100,480,753	100,776,222
9. Total pension liability – ending	<u>111,584,723</u>	<u>105,925,002</u>	<u>100,480,753</u>
B. Plan fiduciary net position			
1. Contributions – employer	2,198,752	2,208,445	2,324,637
2. Contributions – employee	1,482,781	1,420,874	1,388,154
3. Net investment income	6,568,321	145,745	5,386,759
4. Benefit payments, including refunds of employee contributions	(4,624,192)	(5,261,823)	(4,432,593)
5. Administrative Expense	(74,183)	(88,773)	(56,242)
6. Other	(3,997)	(4,385)	(4,624)
7. Net change in plan fiduciary net position	5,547,482	(1,579,917)	4,606,091
8. Plan fiduciary net position – beginning	97,192,755	98,772,672	94,166,581
9. Plan fiduciary net position – ending	<u>102,740,237</u>	<u>97,192,755</u>	<u>98,772,672</u>
C. Net pension liability [A.9 – B.9]	<u>\$ 8,844,486</u>	<u>\$ 8,732,247</u>	<u>\$ 1,708,081</u>
D. Plan fiduciary net position as a percentage of the total pension liability	92%	92%	98%
E. Plan's net pension liability as a percentage of covered-employee payroll	42%	43%	9%
F. Plan's covered-employee payroll (measurement year)	\$ 21,182,583	\$ 20,248,609	\$ 19,817,910
Primary Government's proportional share			
Primary Government's proportion of the net pension liability	91.5%	91.5%	90.2%
Primary Government's proportionate share of the net pension liability	<u>8,090,686</u>	<u>\$ 7,988,247</u>	<u>\$ 1,540,781</u>
Primary Government's covered-employee payroll (measurement year)	\$ 19,377,229	\$ 18,523,398	\$ 17,876,822
Primary Government's proportionate share of the net pension liability as a percentage of it's covered-employee paryoll	42%	43%	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 Seven Fiscal Years ⁽¹⁾

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially required contributions	\$ 2,402,016	\$ 2,278,194	\$ 2,245,773	\$ 2,332,905	\$ 2,284,542
Contributions in relation to the actuarially required contributions	<u>2,402,016</u>	<u>2,278,194</u>	<u>2,245,773</u>	<u>2,332,905</u>	<u>2,284,542</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 21,840,500	\$ 21,674,821	\$ 20,202,038	\$ 19,678,012	\$ 19,145,770
Contributions as a percentage of covered-employee payroll	11.0%	10.5%	11.1%	11.9%	11.9%
	<u>2012</u>	<u>2011</u>			
Actuarially required contributions	\$ 2,381,834	\$ 2,785,993			
Contributions in relation to the actuarially required contributions	<u>2,381,834</u>	<u>2,785,993</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
City's covered-employee payroll	\$ 18,402,485	\$ 18,354,272			
Contributions as a percentage of covered-employee payroll	12.9%	15.2%			

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

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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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 Fund – 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.

Community Development Block Grant - To account for federal awards from the U.S. Department of Housing and Urban Development for community development.

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

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

Public Facilities Capital Improvement Fund – 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 Fund – 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.

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

City Improvements Fund – These funds will assist with future economic growth and improvement projects in the City.

CITY OF DESOTO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Special Revenue Funds			
	Regional Jail	Municipal Court	Police Seized Assets	Police Grants
Assets				
Cash and investments	\$ 385,881	\$ 233,481	\$ 420,304	\$ 29,989
Receivables, net:				
Taxes	-	-	-	-
Due from other governments	-	-	-	22,858
Accounts	-	-	-	-
Prepaid items	-	-	3,003	-
Total Assets	\$ 385,881	\$ 233,481	\$ 423,307	\$ 52,847
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,573	\$ 278	\$ 22,187	\$ 70
Accrued liabilities	22,350	1,134	-	1,498
Unearned revenues	-	-	6,025	-
Total Liabilities	23,923	1,412	28,212	1,568
Fund Balances:				
 Restricted:				
Public safety	361,958	232,069	395,095	51,279
Economic development	-	-	-	-
 Committed:				
Public health	-	-	-	-
Development	-	-	-	-
 Assigned:				
Capital projects	-	-	-	-
Total Fund Balances	361,958	232,069	395,095	51,279
Total Liabilities and Fund Balances	\$ 385,881	\$ 233,481	\$ 423,307	\$ 52,847

Special Revenue Funds

Homeland Security Grant	Hotel Occupancy Tax	Health Facilities Development Corporation	Housing Finance Corporation	Industrial Development Authority	Community Development Block Grant
\$ 1,540	\$ 1,442,015	\$ 18,536	\$ 178,106	\$ 29,319	\$ (20,335)
-	76,383	-	-	-	-
-	-	-	-	-	26,354
-	2,096	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,540</u>	<u>\$ 1,520,494</u>	<u>\$ 18,536</u>	<u>\$ 178,106</u>	<u>\$ 29,319</u>	<u>\$ 6,019</u>
\$ -	\$ 93,494	\$ -	\$ -	\$ -	\$ 93
-	-	-	-	-	1,054
-	409	-	-	-	-
-	<u>93,903</u>	-	-	-	<u>1,147</u>
-	-	-	-	-	-
-	1,426,591	-	-	-	-
1,540	-	18,536	-	-	-
-	-	-	178,106	29,319	4,872
-	-	-	-	-	-
<u>1,540</u>	<u>1,426,591</u>	<u>18,536</u>	<u>178,106</u>	<u>29,319</u>	<u>4,872</u>
<u>\$ 1,540</u>	<u>\$ 1,520,494</u>	<u>\$ 18,536</u>	<u>\$ 178,106</u>	<u>\$ 29,319</u>	<u>\$ 6,019</u>

(continued)

CITY OF DESOTO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2017

	Capital Projects Funds			
	Parks Capital Improvement	Public Facilities Capital Improvement	Fire Station Bond Project	Park Improvement
Assets				
Cash and investments	\$ 192,449	\$ 1,312,875	\$ 4,807,522	\$ 1,514,881
Receivables, net:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Accounts	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	\$ 192,449	\$ 1,312,875	\$ 4,807,522	\$ 1,514,881
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 27,825	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Total Liabilities	-	27,825	-	-
Fund Balances:				
Restricted:				
Public safety	-	-	-	-
Economic development	-	-	-	-
Committed:				
Public health	-	-	-	-
Development	-	-	-	-
Assigned:				
Capital projects	192,449	1,285,050	4,807,522	1,514,881
Total Fund Balances	192,449	1,285,050	4,807,522	1,514,881
Total Liabilities and Fund Balances	\$ 192,449	\$ 1,312,875	\$ 4,807,522	\$ 1,514,881

Capital Projects Funds	
City Improvements	Total Nonmajor Governmental Funds
\$ 1,000,000	\$ 11,546,563
-	76,383
-	49,212
-	2,096
-	3,003
<u>\$ 1,000,000</u>	<u>\$ 11,677,257</u>
\$ -	\$ 145,520
-	26,036
-	6,434
<u>-</u>	<u>177,990</u>
-	1,040,401
-	1,426,591
-	20,076
-	212,297
<u>1,000,000</u>	<u>8,799,902</u>
<u>1,000,000</u>	<u>11,499,267</u>
<u>\$ 1,000,000</u>	<u>\$ 11,677,257</u>

CITY OF DESOTO, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	Special Revenue Funds			
	Regional Jail	Municipal Court	Police Seized Assets	Police Grants
Revenues				
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	62,266	-	-
Intergovernmental	1,050,000	-	507,133	82,927
Charges for services	23,798	-	-	-
Investment earnings	920	246	1,797	-
Miscellaneous	689	-	-	-
Total Revenues	<u>1,075,407</u>	<u>62,512</u>	<u>508,930</u>	<u>82,927</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety:				
Police	1,055,594	-	341,344	84,812
Fire	-	-	-	-
Municipal court	-	84,550	-	-
Parks and recreation	-	-	-	-
Library services	-	-	-	-
Non-departmental	-	-	-	-
Debt service:				
Interest and other charges	-	-	-	-
Capital outlay	-	-	129,377	-
Total Expenditures	<u>1,055,594</u>	<u>84,550</u>	<u>470,721</u>	<u>84,812</u>
Excess (deficiency) of revenues over expenditures	<u>19,813</u>	<u>(22,038)</u>	<u>38,209</u>	<u>(1,885)</u>
Other Financing Sources (Uses)				
Issuance of long-term debt	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Transfers in	-	30,000	-	6,452
Transfers out	(20,500)	(48,200)	-	-
Total Other Financing Sources (Uses)	<u>(20,500)</u>	<u>(18,200)</u>	<u>-</u>	<u>6,452</u>
Net change in fund balances	(687)	(40,238)	38,209	4,567
Fund balances - beginning	<u>362,645</u>	<u>272,307</u>	<u>356,886</u>	<u>46,712</u>
Fund balances - ending	<u>\$ 361,958</u>	<u>\$ 232,069</u>	<u>\$ 395,095</u>	<u>\$ 51,279</u>

Special Revenue Funds

Homeland Security Grant	Hotel Occupancy Tax	Health Facilities Development Corporation	Housing Finance Corporation	Industrial Development Authority	Community Development Block Grant
\$ -	\$ 903,183	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
5,094	-	-	-	-	103,593
-	2,791	-	-	-	-
-	5,688	101	1,312	162	45
-	2,125	-	-	-	-
<u>5,094</u>	<u>913,787</u>	<u>101</u>	<u>1,312</u>	<u>162</u>	<u>103,638</u>
-	425,437	-	20,060	-	-
-	-	-	-	-	-
3,382	-	-	-	-	-
-	-	-	-	-	-
-	192,461	-	-	-	-
-	-	-	-	-	99,278
-	-	-	-	-	-
-	-	-	-	-	-
-	345,701	-	-	-	-
<u>3,382</u>	<u>963,599</u>	<u>-</u>	<u>20,060</u>	<u>-</u>	<u>99,278</u>
<u>1,712</u>	<u>(49,812)</u>	<u>101</u>	<u>(18,748)</u>	<u>162</u>	<u>4,360</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(151,975)	-	-	-	-
<u>-</u>	<u>(151,975)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,712	(201,787)	101	(18,748)	162	4,360
(172)	1,628,378	18,435	196,854	29,157	512
<u>\$ 1,540</u>	<u>\$ 1,426,591</u>	<u>\$ 18,536</u>	<u>\$ 178,106</u>	<u>\$ 29,319</u>	<u>\$ 4,872</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, 2017

	Capital Projects Funds			
	Parks Capital Improvement	Public Facilities Capital Improvement	Fire Station Bond Project	Park Improvement
Revenues				
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	250,000	-	-
Charges for services	-	-	-	-
Investment earnings	429	13,338	34,721	10,462
Miscellaneous	-	-	-	-
Total Revenues	<u>429</u>	<u>263,338</u>	<u>34,721</u>	<u>10,462</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Fire	-	-	-	-
Municipal court	-	-	-	-
Parks and recreation	17,400	-	-	-
Library services	-	-	-	-
Non-departmental	-	38,350	-	-
Debt service:				
Interest and other charges	-	-	28,302	7,495
Capital outlay	<u>542,392</u>	<u>1,355,362</u>	<u>147,045</u>	<u>37,050</u>
Total Expenditures	<u>559,792</u>	<u>1,393,712</u>	<u>175,347</u>	<u>44,545</u>
Excess (deficiency) of revenues over expenditures	<u>(559,363)</u>	<u>(1,130,374)</u>	<u>(140,626)</u>	<u>(34,083)</u>
Other Financing Sources (Uses)				
Issuance of long-term debt	-	-	1,995,652	519,348
Premium on issuance of bonds	-	-	242,650	63,147
Transfers in	540,000	435,752	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>540,000</u>	<u>435,752</u>	<u>2,238,302</u>	<u>582,495</u>
Net change in fund balances	(19,363)	(694,622)	2,097,676	548,412
Fund balances - beginning	<u>211,812</u>	<u>1,979,672</u>	<u>2,709,846</u>	<u>966,469</u>
Fund balances - ending	<u>\$ 192,449</u>	<u>\$ 1,285,050</u>	<u>\$ 4,807,522</u>	<u>\$ 1,514,881</u>

Capital Projects Funds

City Improvements	Total Nonmajor Governmental Funds
\$ -	\$ 903,183
-	62,266
-	1,998,747
-	26,589
-	69,221
-	2,814
-	<u>3,062,820</u>
-	445,497
-	1,481,750
-	3,382
-	84,550
-	209,861
-	99,278
-	38,350
-	35,797
-	<u>2,556,927</u>
-	<u>4,955,392</u>
-	<u>(1,892,572)</u>
-	2,515,000
-	305,797
1,000,000	2,012,204
-	<u>(220,675)</u>
<u>1,000,000</u>	<u>4,612,326</u>
1,000,000	2,719,754
-	<u>8,779,513</u>
<u>\$ 1,000,000</u>	<u>\$ 11,499,267</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, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Property taxes	\$ 7,140,000	\$ 7,346,245	\$ 206,245
Intergovernmental	354,531	340,605	(13,926)
Investment earnings	1,500	35,764	34,264
Total Revenues	<u>7,496,031</u>	<u>7,722,614</u>	<u>226,583</u>
Expenditures			
Debt service:			
Principal	5,228,475	12,750,822	(7,522,347)
Interest and other charges	2,510,961	2,405,567	105,394
Total Expenditures	<u>7,739,436</u>	<u>15,156,389</u>	<u>(7,416,953)</u>
Excess (deficiency) of revenues over expenditures	<u>(243,405)</u>	<u>(7,433,775)</u>	<u>(7,190,370)</u>
Other Financing Sources (Uses)			
Issuance of long-term debt	-	12,695,000	12,695,000
Premium on issuance of bonds	-	1,991,153	1,991,153
Payment to Refunded Bond Escrow Agent	-	(6,975,233)	(6,975,233)
Transfers in	195,832	195,832	-
Transfers out	<u>(26,300)</u>	<u>(26,300)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>169,532</u>	<u>7,880,452</u>	<u>7,710,920</u>
Net change in fund balances	(73,873)	446,677	520,550
Fund balances - beginning	<u>3,194,715</u>	<u>3,194,715</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,120,842</u>	<u>\$ 3,641,392</u>	<u>\$ 520,550</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, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Intergovernmental	\$ 1,050,000	\$ 1,050,000	\$ -
Charges for services	34,000	23,798	(10,202)
Investment earnings	450	920	470
Miscellaneous	480	689	209
Total Revenues	<u>1,084,930</u>	<u>1,075,407</u>	<u>(9,523)</u>
Expenditures			
Current:			
Public safety:			
Police	1,119,373	1,055,594	63,779
Total Expenditures	<u>1,119,373</u>	<u>1,055,594</u>	<u>63,779</u>
Excess (deficiency) of revenues over expenditures	<u>(34,443)</u>	<u>19,813</u>	<u>54,256</u>
Other Financing Sources (Uses)			
Transfers out	<u>(20,500)</u>	<u>(20,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(20,500)</u>	<u>(20,500)</u>	<u>-</u>
Net change in fund balances	(54,943)	(687)	54,256
Fund balances - beginning	<u>362,645</u>	<u>362,645</u>	<u>-</u>
Fund balances - ending	<u>\$ 307,702</u>	<u>\$ 361,958</u>	<u>\$ 54,256</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, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Fines and forfeitures	\$ 75,000	\$ 62,266	\$ (12,734)
Investment earnings	500	246	(254)
Total Revenues	<u>75,500</u>	<u>62,512</u>	<u>(12,988)</u>
Expenditures			
Current:			
Municipal Court	98,505	84,550	13,955
Total Expenditures	<u>98,505</u>	<u>84,550</u>	<u>13,955</u>
Excess (deficiency) of revenues over expenditures	<u>(23,005)</u>	<u>(22,038)</u>	<u>967</u>
Other Financing Sources (Uses)			
Transfers in	30,000	30,000	-
Transfers out	<u>(48,200)</u>	<u>(48,200)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(18,200)</u>	<u>(18,200)</u>	<u>-</u>
Net change in fund balances	(41,205)	(40,238)	967
Fund balances - beginning	<u>272,307</u>	<u>272,307</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 231,102</u></u>	<u><u>\$ 232,069</u></u>	<u><u>\$ 967</u></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, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Intergovernmental	\$ 504,916	\$ 507,133	\$ 2,217
Investment earnings	250	1,797	1,547
Total Revenues	<u>505,166</u>	<u>508,930</u>	<u>3,764</u>
Expenditures			
Current:			
Public safety:			
Police	367,840	341,344	26,496
Capital outlay	<u>153,000</u>	<u>129,377</u>	<u>23,623</u>
Total Expenditures	<u>520,840</u>	<u>470,721</u>	<u>50,119</u>
Excess (deficiency) of revenues over expenditures	<u>(15,674)</u>	<u>38,209</u>	<u>53,883</u>
Net change in fund balances	(15,674)	38,209	53,883
Fund balances - beginning	<u>356,886</u>	<u>356,886</u>	<u>-</u>
Fund balances - ending	<u>\$ 341,212</u>	<u>\$ 395,095</u>	<u>\$ 53,883</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, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Intergovernmental	\$ 77,980	\$ 82,927	\$ 4,947
Total Revenues	<u>77,980</u>	<u>82,927</u>	<u>4,947</u>
Expenditures			
Current:			
Public safety:			
Police	78,300	84,812	(6,512)
Total Expenditures	<u>78,300</u>	<u>84,812</u>	<u>(6,512)</u>
Excess (deficiency) of revenues over expenditures	<u>(320)</u>	<u>(1,885)</u>	<u>(1,565)</u>
Other Financing Sources (Uses)			
Transfers in	6,452	6,452	-
Transfers out	(845)	-	845
Total Other Financing Sources (Uses)	<u>5,607</u>	<u>6,452</u>	<u>845</u>
Net change in fund balances	5,287	4,567	(720)
Fund balances - beginning	<u>46,712</u>	<u>46,712</u>	<u>-</u>
Fund balances - ending	<u>\$ 51,999</u>	<u>\$ 51,279</u>	<u>\$ (720)</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, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Hotel occupancy tax	\$ 725,000	\$ 903,183	\$ 178,183
Charges for services	4,700	2,791	(1,909)
Investment earnings	1,500	5,688	4,188
Miscellaneous	-	2,125	2,125
Total Revenues	<u>731,200</u>	<u>913,787</u>	<u>182,587</u>
Expenditures			
Current:			
General government	481,370	425,437	55,933
Parks and recreation	201,720	192,461	9,259
Capital outlay	<u>689,865</u>	<u>345,701</u>	<u>344,164</u>
Total Expenditures	<u>1,372,955</u>	<u>963,599</u>	<u>409,356</u>
Excess (deficiency) of revenues over expenditures	<u>(641,755)</u>	<u>(49,812)</u>	<u>591,943</u>
Other Financing Sources (Uses)			
Transfers out	<u>(151,975)</u>	<u>(151,975)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(151,975)</u>	<u>(151,975)</u>	<u>-</u>
Net change in fund balances	(793,730)	(201,787)	591,943
Fund balances - beginning	<u>1,628,378</u>	<u>1,628,378</u>	<u>-</u>
Fund balances - ending	<u>\$ 834,648</u>	<u>\$ 1,426,591</u>	<u>\$ 591,943</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, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Investment earnings	\$ 300	\$ 429	\$ 129
Miscellaneous	10,000	-	(10,000)
Total Revenues	<u>10,300</u>	<u>429</u>	<u>(9,871)</u>
Expenditures			
Parks and recreation	47,500	17,400	30,100
Capital outlay	<u>557,500</u>	<u>542,392</u>	<u>15,108</u>
Total Expenditures	<u>605,000</u>	<u>559,792</u>	<u>45,208</u>
Excess (deficiency) of revenues over expenditures	<u>(594,700)</u>	<u>(559,363)</u>	<u>35,337</u>
Other Financing Sources (Uses)			
Transfers in	<u>540,000</u>	<u>540,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>540,000</u>	<u>540,000</u>	<u>-</u>
Net change in fund balances	(54,700)	(19,363)	35,337
Fund balances - beginning	<u>211,812</u>	<u>211,812</u>	<u>-</u>
Fund balances - ending	<u>\$ 157,112</u>	<u>\$ 192,449</u>	<u>\$ 35,337</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, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Investment earnings	\$ 4,000	\$ 46,933	\$ 42,933
Total Revenues	<u>4,000</u>	<u>46,933</u>	<u>42,933</u>
Expenditures			
Current:			
Development services	123,900	-	123,900
Debt service:			
Interest and other charges	50,000	76,075	(26,075)
Capital outlay	<u>7,420,218</u>	<u>1,373,112</u>	<u>6,047,106</u>
Total Expenditures	<u>7,594,118</u>	<u>1,449,187</u>	<u>6,144,931</u>
Excess (deficiency) of revenues over expenditures	<u>(7,590,118)</u>	<u>(1,402,254)</u>	<u>6,187,864</u>
Other Financing Sources (Uses)			
Issuance of long-term debt	4,500,000	3,830,000	(670,000)
Premium on issuance of bonds	-	246,075	246,075
Transfers in	805,104	704,689	(100,415)
Total Other Financing Sources (Uses)	<u>5,305,104</u>	<u>4,780,764</u>	<u>(524,340)</u>
Net change in fund balances	(2,285,014)	3,378,510	5,663,524
Fund balances - beginning	<u>4,161,565</u>	<u>4,161,565</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,876,551</u>	<u>\$ 7,540,075</u>	<u>\$ 5,663,524</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, 2017

	Final Budget	Actual GAAP Basis	Variance with Final Budget - Positive
Revenues			
Intergovernmental	\$ 250,000	\$ 250,000	\$ -
Investment earnings	-	13,338	13,338
Total Revenues	<u>250,000</u>	<u>263,338</u>	<u>13,338</u>
Expenditures			
Non-departmental	33,550	38,350	(4,800)
Capital outlay	<u>2,066,755</u>	<u>1,355,362</u>	<u>711,393</u>
Total Expenditures	<u>2,100,305</u>	<u>1,393,712</u>	<u>706,593</u>
Excess (deficiency) of revenues over expenditures	<u>(1,850,305)</u>	<u>(1,130,374)</u>	<u>719,931</u>
Other Financing Sources (Uses)			
Transfers in	<u>435,752</u>	<u>435,752</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>435,752</u>	<u>435,752</u>	<u>-</u>
Net change in fund balances	(1,414,553)	(694,622)	719,931
Fund balances - beginning	<u>1,979,672</u>	<u>1,979,672</u>	<u>-</u>
Fund balances - ending	<u>\$ 565,119</u>	<u>\$ 1,285,050</u>	<u>\$ 719,931</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, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Investment earnings	\$ -	\$ 34,721	\$ 34,721
Total Revenues	<u>-</u>	<u>34,721</u>	<u>34,721</u>
Expenditures			
Debt service:			
Interest and other charges	50,000	28,302	21,698
Capital outlay	<u>2,961,837</u>	<u>147,045</u>	<u>2,814,792</u>
Total Expenditures	<u>3,011,837</u>	<u>175,347</u>	<u>2,836,490</u>
Excess (deficiency) of revenues over expenditures	<u>(3,011,837)</u>	<u>(140,626)</u>	<u>2,871,211</u>
Other Financing Sources (Uses)			
Issuance of long-term debt	1,950,000	1,995,652	45,652
Premium on issuance of bonds	<u>150,000</u>	<u>242,650</u>	<u>92,650</u>
Total Other Financing Sources (Uses)	<u>2,100,000</u>	<u>2,238,302</u>	<u>138,302</u>
Net change in fund balances	(911,837)	2,097,676	3,009,513
Fund balances - beginning	<u>2,709,846</u>	<u>2,709,846</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,798,009</u>	<u>\$ 4,807,522</u>	<u>\$ 3,009,513</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
PARK IMPROVEMENT FUND
For the Year Ended September 30, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Revenues			
Investment earnings	\$ -	\$ 10,462	\$ 10,462
Total Revenues	<u>-</u>	<u>10,462</u>	<u>10,462</u>
Expenditures			
Debt service:			
Interest and other charges	-	7,495	(7,495)
Capital outlay	<u>1,459,100</u>	<u>37,050</u>	<u>1,422,050</u>
Total Expenditures	<u>1,459,100</u>	<u>44,545</u>	<u>1,414,555</u>
Excess (deficiency) of revenues over expenditures	<u>(1,459,100)</u>	<u>(34,083)</u>	<u>1,425,017</u>
Other Financing Sources (Uses)			
Issuance of long-term debt	475,250	519,348	44,098
Premium on issuance of bonds	<u>49,500</u>	<u>63,147</u>	<u>13,647</u>
Total Other Financing Sources (Uses)	<u>524,750</u>	<u>582,495</u>	<u>57,745</u>
Net change in fund balances	(934,350)	548,412	1,482,762
Fund balances - beginning	<u>966,469</u>	<u>966,469</u>	<u>-</u>
Fund balances - ending	<u>\$ 32,119</u>	<u>\$ 1,514,881</u>	<u>\$ 1,482,762</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (WITH VARIANCES)
CITY IMPROVEMENTS FUND
For the Year Ended September 30, 2017

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive</u>
Other Financing Sources (Uses)			
Transfers in	\$ 1,000,000	\$ 1,000,000	\$ -
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Net change in fund balances	1,000,000	1,000,000	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ -</u></u>

AGENCY FUND

CITY OF DESOTO, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended September 30, 2017

	<u>Balance</u> <u>9/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>09/30/17</u>
Southwest Regional				
Communications Center				
Assets				
Cash and cash equivalents	\$ 415,180	\$ 3,353,809	\$ 3,261,785	\$ 507,204
Total assets	<u>\$ 415,180</u>	<u>\$ 3,353,809</u>	<u>\$ 3,261,785</u>	<u>\$ 507,204</u>
Liabilities				
Due to Southwest Regional Communications Center	\$ 415,180	\$ 3,353,809	\$ 3,261,785	\$ 507,204
Total liabilities	<u>\$ 415,180</u>	<u>\$ 3,353,809</u>	<u>\$ 3,261,785</u>	<u>\$ 507,204</u>

**DISCRETELY PRESENTED COMPONENT UNITS
FUND FINANCIAL STATEMENTS**

CITY OF DESOTO, TEXAS

BALANCE SHEETS

DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2017

	<u>Desoto Parks Development Corporation</u>	<u>Desoto Economic Development Corporation</u>
Assets		
Cash and investments	\$ 506,857	\$ 3,731,516
Taxes receivable	127,345	382,035
Notes receivable	-	325,961
Other receivables	-	12,127
Total Assets	<u>\$ 634,202</u>	<u>\$ 4,451,639</u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ -	\$ 173,847
Total Liabilities	<u>-</u>	<u>173,847</u>
 Fund Balances:		
Restricted for park and park facilities projects	634,202	-
Restricted for economic development	-	4,277,792
Total Fund Balances	<u>634,202</u>	<u>4,277,792</u>
 Total Liabilities and Fund Balances	<u>\$ 634,202</u>	<u>\$ 4,451,639</u>

*RECONCILIATION OF THE DISCRETELY PRESENTED COMPONENT UNITS
BALANCE SHEET TO THE STATEMENT OF NET POSITION*

Total fund balances - component unit	\$ 634,202	\$ 4,277,792
 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	1,998,274	-
Effect of Net Pension Liability and related deferred outflows and inflows of resources.	-	(32,500)
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	-	9,868
Accrued interest	(9,137)	(10,133)
Long-term debt	(1,745,000)	(1,991,025)
Net position of component unit	<u>\$ 889,589</u>	<u>\$ 2,254,002</u>

CITY OF DESOTO, TEXAS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2017

	Desoto Parks Development Corporation	Desoto Economic Development Corporation
Revenues		
Sales tax	\$ 766,248	\$ 1,907,128
Investment earnings	1,265	19,152
Total Revenues	767,513	1,926,280
Expenditures		
Current:		
Parks and leisure services	380,539	-
Economic development	-	1,298,748
Debt service:		
Principal	375,000	215,000
Interest and other charges	83,573	84,919
Total Expenditures	839,112	1,598,667
Excess (deficiency) of revenues over expenditures	(71,599)	327,613
Net change in fund balances	(71,599)	327,613
Fund balances - beginning	705,801	3,950,179
Fund balances - ending	\$ 634,202	\$ 4,277,792

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES**

Net Change in Fund Balances - component unit	\$ (71,599)	\$ 327,613
Amounts reported for the component unit in the Statement of Activities are different because:		
The component unit reports outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation in the current period.	(150,574)	-
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.		
Repayment of principal on long-term debt	375,000	215,000
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.	-	(24,000)
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	-	22,303
Accrued interest	1,663	964
Changes in Net Position of component units	\$ 154,490	\$ 543,952

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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

<i>Financial Trends</i>	<i>100-109</i>
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	<i>111-117</i>
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	<i>119-123</i>
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.	
<i>Demographic and Economic Information</i>	<i>124-125</i>
This schedule offers demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<i>Operating Information</i>	<i>126-131</i>
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>2017</u>	<u>2016</u>	<u>2015⁽¹⁾</u>	<u>2014</u>
Governmental Activities				
Net investment in capital assets	\$ 75,324,298	\$ 75,388,877	\$ 75,008,168	\$ 79,821,001
Restricted	7,114,045	7,145,838	6,848,661	6,171,884
Unrestricted	<u>28,502,199</u>	<u>24,359,405</u>	<u>21,092,761</u>	<u>11,361,795</u>
Total governmental activities net position	<u>\$ 110,940,542</u>	<u>\$ 106,894,120</u>	<u>\$ 102,949,590</u>	<u>\$ 97,354,680</u>
 Business-type activities				
Net investment in capital assets	\$ 48,359,679	\$ 52,278,918	\$ 52,019,447	\$ 53,034,176
Unrestricted	<u>18,440,994</u>	<u>14,882,299</u>	<u>15,159,256</u>	<u>14,439,474</u>
Total business-type activities net position	<u>\$ 66,800,673</u>	<u>\$ 67,161,217</u>	<u>\$ 67,178,703</u>	<u>\$ 67,473,650</u>
 Primary government				
Net investment in capital assets	\$ 123,683,977	\$ 127,667,795	\$ 127,099,615	\$ 132,855,177
Restricted	7,114,045	7,145,838	6,848,661	6,171,884
Unrestricted	<u>46,943,193</u>	<u>39,241,704</u>	<u>36,252,017</u>	<u>25,801,269</u>
Total Primary government net positions	<u>\$ 177,741,215</u>	<u>\$ 174,055,337</u>	<u>\$ 170,200,293</u>	<u>\$ 164,828,330</u>

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

Table 1

2013	2012	2011	2010	2009	2008
\$ 80,552,505	\$ 85,553,558	\$ 83,839,278	\$ 82,952,006	\$ 88,778,833	\$ 83,437,503
5,011,347	2,762,778	2,629,370	1,727,639	3,407,347	2,912,353
8,889,050	9,830,512	9,708,413	12,761,912	7,458,927	10,599,124
<u>\$ 94,452,902</u>	<u>\$ 98,146,848</u>	<u>\$ 96,177,061</u>	<u>\$ 97,441,557</u>	<u>\$ 99,645,107</u>	<u>\$ 96,948,980</u>
\$ 55,777,822	\$ 57,708,884	\$ 46,444,456	\$ 59,668,820	\$ 53,525,260	\$ 56,931,665
13,095,617	10,933,100	21,617,015	6,493,872	12,276,723	6,611,738
<u>\$ 68,873,439</u>	<u>\$ 68,641,984</u>	<u>\$ 68,061,471</u>	<u>\$ 66,162,692</u>	<u>\$ 65,801,983</u>	<u>\$ 63,543,403</u>
\$ 136,330,327	\$ 143,262,442	\$ 130,283,734	\$ 142,620,826	\$ 142,304,093	\$ 143,369,168
5,011,347	2,762,778	2,629,370	1,727,639	3,407,347	2,912,353
21,984,667	20,763,612	31,325,428	19,255,784	19,735,650	17,210,862
<u>\$ 163,326,341</u>	<u>\$ 166,788,832</u>	<u>\$ 164,238,532</u>	<u>\$ 163,604,249</u>	<u>\$ 165,447,090</u>	<u>\$ 163,492,383</u>

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

	2017	2016	2015	2014
Expenses				
Governmental activities:				
General government	\$ 3,683,213	\$ 6,116,384	\$ 4,472,030	\$ 3,689,262
Public safety	20,858,244	19,523,630	15,633,862	18,322,046
Development services	9,785,883	9,599,031	8,860,259	9,201,069
Financial services	547,209	461,984	215,738	397,475
Municipal court	664,332	574,850	496,540	541,705
Information technology	1,032,524	767,304	521,186	428,672
Human resources	420,891	390,706	253,336	290,303
Parks and recreation services	4,402,453	3,994,107	3,623,576	3,683,337
Library services	1,055,252	1,017,369	776,904	919,596
Interest on long-term debt	3,138,147	2,352,141	2,807,023	2,453,548
Total government activities expenses	45,588,148	44,797,506	37,660,454	39,927,013
Business-type activities:				
Water and wastewater	19,002,233	17,589,431	16,049,932	15,982,382
Drainage	1,220,638	1,232,946	1,155,389	1,594,527
Sanitation	4,316,881	4,035,409	3,843,039	3,795,723
Total business-type activities	24,539,752	22,857,786	21,048,360	21,372,632
Total primary government expenses	\$ 70,127,900	\$ 67,655,292	\$ 58,708,814	\$ 61,299,645
 PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 459,447	\$ 466,958	\$ 452,770	\$ 332,066
Public safety	4,053,992	4,193,774	4,564,521	4,225,010
Development services	1,407,041	1,268,385	1,319,083	1,260,957
Financial services	-	-	-	-
Information technology	-	-	-	-
Human resources	-	-	-	-
Parks and recreation services	698,496	721,131	750,124	749,215
Library services	36,963	39,301	44,048	59,149
Operating grants and contributions	1,148,587	1,084,583	1,228,969	964,431
Capital grants and contributions	250,000	250,000	1,787	1,787
Total Governmental activities program revenues:	8,054,526	8,024,132	8,359,515	7,592,615
 Business-type activities:				
Charges for services:				
Water and wastewater	20,322,951	19,286,512	17,849,524	16,583,747
Drainage	1,545,804	1,530,199	1,501,251	1,483,893
Sanitation	4,259,301	4,111,474	4,003,031	3,954,851
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	26,128,056	24,928,185	23,353,806	22,022,491
Total primary government program revenues	\$ 34,182,582	\$ 32,952,317	\$ 31,713,321	\$ 29,615,106

Table 2
Page 1 of 2

2013	2012	2011	2010	2009	2008
\$ 4,054,193	\$ 4,562,337	\$ 5,217,799	\$ 4,845,547	\$ 3,827,242	\$ 5,770,984
17,789,694	17,491,146	17,578,307	17,889,132	17,402,007	15,173,881
8,878,903	7,312,154	7,788,666	8,109,041	7,523,025	7,927,578
492,164	926,892	855,547	884,724	777,635	1,258,242
456,592	-	-	-	-	-
306,289	280,360	294,197	294,032	328,417	600,639
246,211	197,978	139,935	171,664	213,452	369,265
3,899,590	3,844,791	3,584,536	3,683,752	3,162,068	3,532,927
892,249	890,239	896,501	949,520	933,378	876,249
2,634,793	3,391,573	3,423,048	3,557,515	3,939,305	3,970,451
<u>39,650,678</u>	<u>38,897,470</u>	<u>39,778,536</u>	<u>40,384,927</u>	<u>38,106,529</u>	<u>39,480,216</u>
14,061,689	14,097,518	13,452,042	12,697,975	12,611,568	12,656,844
1,970,730	1,427,820	1,282,892	1,209,603	1,187,708	1,042,256
3,695,159	3,246,026	2,957,452	2,935,666	2,889,531	3,064,111
<u>19,727,578</u>	<u>18,771,364</u>	<u>17,692,386</u>	<u>16,843,244</u>	<u>16,688,807</u>	<u>16,763,211</u>
<u>\$ 59,378,256</u>	<u>\$ 57,668,834</u>	<u>\$ 57,470,922</u>	<u>\$ 57,228,171</u>	<u>\$ 54,795,336</u>	<u>\$ 56,243,427</u>
\$ 618,605	\$ 365,815	\$ 226,158	\$ 329,150	\$ 989,675	\$ 1,698,725
3,024,624	2,865,010	2,459,939	2,518,011	3,593,925	2,851,576
871,691	823,229	795,377	575,242	448,877	645,532
768,546	813,009	864,197	756,356	834,057	717,569
63,068	62,601	64,841	61,406	51,333	47,864
-	-	-	-	518	-
-	-	-	-	-	-
-	-	-	-	-	-
1,040,029	1,254,754	926,017	1,684,707	1,088,561	842,032
376,468	2,450,162	402,804	338,964	23,696	1,765,753
<u>6,763,031</u>	<u>8,634,580</u>	<u>5,739,333</u>	<u>6,263,836</u>	<u>7,030,642</u>	<u>6,803,298</u>
16,532,417	16,138,436	16,680,611	14,155,822	14,036,444	13,808,696
1,488,332	1,458,904	1,472,674	1,463,866	1,447,012	1,497,912
3,848,776	3,428,857	3,244,899	3,199,311	2,880,996	3,296,873
137,750	15,000	158,865	35,571	104,877	1,512,223
<u>22,007,275</u>	<u>21,041,197</u>	<u>21,557,049</u>	<u>18,854,570</u>	<u>18,469,329</u>	<u>20,115,704</u>
<u>\$ 28,770,306</u>	<u>\$ 29,675,777</u>	<u>\$ 27,296,382</u>	<u>\$ 25,118,406</u>	<u>\$ 25,499,971</u>	<u>\$ 26,919,002</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$ (37,533,622)	\$ (36,773,374)	\$ (29,300,939)	\$ (32,334,398)
Business-type activities	1,588,304	2,070,399	2,305,446	649,859
Total primary government net expense	<u>\$ (35,945,318)</u>	<u>\$ (34,702,975)</u>	<u>\$ (26,995,493)</u>	<u>\$ (31,684,539)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property taxes	\$ 25,082,533	\$ 24,570,117	\$ 22,332,142	\$ 21,730,242
Sales taxes	7,628,513	8,838,202	8,865,087	6,548,886
Franchise and other taxes	3,017,636	3,067,237	3,177,165	3,024,987
Hotel occupancy	903,183	959,888	840,967	790,657
Unrestricted investment earnings	302,375	192,921	120,644	61,157
Miscellaneous	2,521,996	822,302	794,451	956,711
Transfers	2,123,808	2,267,237	2,266,818	2,123,536
Total governmental activities	<u>41,580,044</u>	<u>40,717,904</u>	<u>38,397,274</u>	<u>35,236,176</u>
Business-type activities:				
Unrestricted investment earnings	111,460	107,352	99,713	73,888
Miscellaneous	63,500	-	-	-
Transfers	(2,123,808)	(2,267,237)	(2,266,818)	(2,123,536)
Total business-type activities	<u>(1,948,848)</u>	<u>(2,159,885)</u>	<u>(2,167,105)</u>	<u>(2,049,648)</u>
Total primary government CHANGE IN NET POSITION	<u>39,631,196</u>	<u>38,558,019</u>	<u>36,230,169</u>	<u>33,186,528</u>
Governmental activities	4,046,422	3,944,530	9,096,335	2,901,778
Business-type activities	(360,544)	(89,486)	138,341	(1,399,789)
Total primary government	<u>\$ 3,685,878</u>	<u>\$ 3,855,044</u>	<u>\$ 9,234,676</u>	<u>\$ 1,501,989</u>

2013	2012	2011	2010	2009	2008
\$ (32,887,647)	\$ (30,262,890)	\$ (34,039,203)	\$ (34,121,091)	\$ (31,075,887)	\$ (30,910,865)
<u>2,279,697</u>	<u>2,269,833</u>	<u>3,864,663</u>	<u>2,011,326</u>	<u>1,780,522</u>	<u>3,352,493</u>
<u><u>\$ (30,607,950)</u></u>	<u><u>\$ (27,993,057)</u></u>	<u><u>\$ (30,174,540)</u></u>	<u><u>\$ (32,109,765)</u></u>	<u><u>\$ (29,295,365)</u></u>	<u><u>\$ (27,558,372)</u></u>
\$ 21,165,572	\$ 20,673,781	\$ 21,392,377	\$ 20,998,395	\$ 21,562,536	\$ 22,051,523
6,089,949	5,929,029	5,409,524	5,532,796	5,028,838	5,802,926
2,846,979	2,835,277	2,998,791	2,794,521	3,129,287	3,336,906
755,819	734,528	634,074	571,969	470,214	395,829
74,177	70,204	83,020	42,494	314,323	1,434,605
207,602	254,756	262,238	208,314	-	-
1,836,131	1,735,102	1,651,170	1,769,052	1,278,553	693,399
<u>32,976,229</u>	<u>32,232,677</u>	<u>32,431,194</u>	<u>31,917,541</u>	<u>31,783,751</u>	<u>33,715,188</u>
68,425	45,782	28,799	31,429	55,674	148,239
-	-	-	87,006	30,208	-
<u>(1,836,131)</u>	<u>(1,735,102)</u>	<u>(1,651,170)</u>	<u>(1,769,052)</u>	<u>(1,278,553)</u>	<u>(693,399)</u>
<u>(1,767,706)</u>	<u>(1,689,320)</u>	<u>(1,622,371)</u>	<u>(1,650,617)</u>	<u>(1,192,671)</u>	<u>(545,160)</u>
<u>31,208,523</u>	<u>30,543,357</u>	<u>30,808,823</u>	<u>30,266,924</u>	<u>30,591,080</u>	<u>33,170,028</u>
88,582	1,969,787	(1,608,009)	(2,203,550)	707,864	2,804,323
<u>511,991</u>	<u>580,513</u>	<u>2,242,292</u>	<u>360,709</u>	<u>587,851</u>	<u>2,807,333</u>
<u><u>\$ 600,573</u></u>	<u><u>\$ 2,550,300</u></u>	<u><u>\$ 634,283</u></u>	<u><u>\$ (1,842,841)</u></u>	<u><u>\$ 1,295,715</u></u>	<u><u>\$ 5,611,656</u></u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Inventories	39,087	32,561	42,754	42,754
Prepays	1,000	-	-	-
Assigned:				
Subsequent year's budget	-	-	-	-
Unassigned	23,655,407	20,923,754	18,868,052	13,395,310
Total General Fund	<u>23,695,494</u>	<u>20,956,315</u>	<u>18,910,806</u>	<u>13,438,064</u>
All Other Governmental Funds				
Reserved	-	-	-	-
Special revenue funds	-	-	-	-
Non Spendable: Note Receivable	-	438	-	57,003
Restricted:				
Debt Service	3,641,392	3,194,715	2,829,319	2,532,070
Street Improvements	7,540,075	4,161,565	3,971,537	2,592,811
Public safety	1,040,401	1,038,550	1,275,472	922,879
Economic Development	1,426,591	1,628,378	1,339,552	1,034,694
Culture and Recreation	-	-	-	-
Capital projects	-	-	-	-
Committed:				
Public Health	20,076	18,435	18,387	18,370
Development activities	212,297	226,523	240,997	258,979
Assigned:				
Street Improvements	-	-	-	-
Capital projects	8,799,902	5,867,799	3,860,287	246,994
Total Other Governmental Funds	<u>22,680,734</u>	<u>16,136,403</u>	<u>13,535,551</u>	<u>7,663,800</u>
Total Fund Balances of Governmental Funds	<u>\$ 46,376,228</u>	<u>\$ 37,092,718</u>	<u>\$ 32,446,357</u>	<u>\$ 21,101,864</u>

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

Table 3

2013	2012	2011 **	2010	2009	2008
\$ -	\$ -	\$ -	\$ 221,638	\$ 454,274	\$ 46,495
-	-	-	6,964,196	7,157,520	6,853,977
45,363	52,881	39,331	-	-	-
-	-	-	-	-	-
-	557,178	528,025	-	-	-
10,590,898	8,684,056	7,967,759	-	-	-
<u>10,636,261</u>	<u>9,294,115</u>	<u>8,535,115</u>	<u>7,185,834</u>	<u>7,611,794</u>	<u>6,900,472</u>
-	-	-	18,072,628	21,282,353	22,030,806
-	-	-	(375,719)	(296,834)	(267,389)
109,005	161,673	212,025	-	-	-
1,655,137	1,603,729	1,450,009	-	-	-
5,684,787	7,480,942	9,080,205	-	-	-
696,371	728,475	679,910	-	-	-
800,580	552,351	558,547	-	-	-
-	-	617	-	-	-
35,248	35,248	1,327,888	-	-	-
18,355	18,352	18,323	-	-	-
277,947	152,029	150,081	-	-	-
115,737	826,931	1,387,953	-	-	-
528,404	729,681	-	-	-	-
<u>9,921,571</u>	<u>12,289,411</u>	<u>14,865,558</u>	<u>17,696,909</u>	<u>20,985,519</u>	<u>21,763,417</u>
<u>\$ 20,557,832</u>	<u>\$ 21,583,526</u>	<u>\$ 23,400,673</u>	<u>\$ 24,882,743</u>	<u>\$ 28,597,313</u>	<u>\$ 28,663,889</u>

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

	2017	2016	2015	2014
Revenues				
Taxes				
Property taxes	\$ 25,139,231	\$ 23,525,948	\$ 22,519,005	\$ 21,709,933
Sales taxes	7,671,052	7,434,323	7,721,468	6,548,886
Franchise fees and others	2,975,097	3,023,812	3,138,343	3,024,987
Hotel occupancy	903,183	959,888	840,967	790,657
Fines and forfeitures	1,381,768	1,425,402	1,651,605	1,520,772
Licenses and permits	1,407,041	1,280,155	1,301,283	1,248,422
Intergovernmental	3,592,705	2,966,622	2,395,890	2,261,079
Charges for services	2,482,584	2,330,713	2,621,251	2,283,407
Investment earnings	302,375	192,921	120,644	61,157
Recreation services	683,748	704,626	731,396	731,655
Administrative	-	-	-	-
Assessments	-	-	-	-
Miscellaneous	554,115	407,518	327,420	781,805
Total revenues	47,092,899	44,251,928	43,369,272	40,962,760
Expenditures				
Current:				
General government	1,462,675	1,495,396	1,234,143	1,260,101
Public safety:	18,371,592	17,471,592	16,873,317	16,493,144
Development services	4,984,007	4,768,473	4,935,865	6,077,682
Financial services	455,303	394,729	330,494	330,271
Municipal court	630,332	553,850	584,523	525,049
Information technology	878,203	621,493	474,937	402,041
Human resources	392,306	373,022	329,166	288,934
Parks and recreation	3,463,275	3,205,034	3,130,647	2,882,472
Library services	1,112,442	1,086,062	886,474	896,324
Non-departmental	2,533,268	2,473,767	2,922,910	3,084,050
Debt service:				
Principal	12,803,125	5,117,121	4,866,302	4,630,076
Interest and other charges	2,526,036	2,748,066	2,587,579	2,643,073
Capital outlay	5,982,739	4,910,606	2,353,421	3,140,232
Total expenditures	55,595,303	45,219,211	41,509,778	42,653,449
Excess of revenues over (under) expenditures	(8,502,404)	(967,283)	1,859,494	(1,690,689)
Other Financing Sources (Uses)				
Issuance Long-Term Debt	21,583,025	10,023,977	6,718,947	75,000
Other Sources	1,054,486	62,847	500,739	36,185
Payment to refund escrow agent	(6,975,233)	(6,742,097)	-	-
Transfers in	5,131,533	4,503,599	2,982,684	3,665,104
Transfers out	(3,007,725)	(2,236,362)	(715,866)	(1,541,568)
Total other financing sources (uses)	17,786,086	5,611,964	9,486,504	2,234,721
Net change in fund balances	\$ 9,283,682	\$ 4,644,681	\$ 11,345,998	\$ 544,032
Debt service as a percentage of noncapital expenditures	30.9%	18.5%	18.7%	19.2%

Table 4

2013	2012	2011	2010	2009	2008
\$ 21,147,434	\$ 20,753,144	\$ 20,719,051	\$ 20,972,154	\$ 21,774,805	\$ 22,031,974
6,089,949	6,423,115	5,860,318	5,532,796	5,056,041	5,802,926
2,877,716	2,692,496	2,998,792	2,828,106	3,129,287	3,336,906
725,382	704,045	597,292	575,384	405,064	395,829
998,412	958,534	1,054,477	1,096,452	984,317	1,074,968
871,691	823,229	795,377	732,293	644,884	721,068
1,867,758	2,072,020	1,278,510	1,297,146	1,112,257	844,407
2,189,271	1,921,012	1,696,669	1,627,574	1,634,730	2,095,110
74,177	70,204	83,020	76,403	314,323	1,434,605
748,099	796,815	820,760	748,192	860,012	227,719
-	-	-	-	-	1,546,945
-	-	-	-	-	23,400
291,392	156,764	257,910	535,208	710,354	662,003
<u>37,881,281</u>	<u>37,371,378</u>	<u>36,162,176</u>	<u>36,021,708</u>	<u>36,626,074</u>	<u>40,197,860</u>
2,120,838	2,631,101	2,622,418	1,961,081	1,279,890	2,334,303
16,917,596	16,591,396	16,981,677	16,653,927	16,117,852	14,387,972
3,103,786	3,042,163	3,340,924	3,551,797	3,521,060	3,856,422
833,766	762,721	727,046	778,779	713,569	1,241,631
-	-	-	-	-	-
290,045	274,064	293,953	284,355	312,204	582,721
247,092	197,010	140,181	167,715	195,881	347,323
3,077,070	3,222,956	3,186,277	3,234,926	2,913,823	3,166,879
875,161	869,133	879,457	935,633	889,791	870,217
1,423,854	1,386,474	1,288,744	2,067,520	1,358,466	2,933,840
5,602,787	4,989,020	4,641,948	4,140,140	4,531,913	4,176,776
2,915,788	3,692,322	3,602,843	3,527,769	3,922,904	4,069,494
3,386,111	3,524,766	3,755,708	4,362,869	9,203,386	15,089,860
<u>40,793,894</u>	<u>41,183,126</u>	<u>41,461,176</u>	<u>41,666,511</u>	<u>44,960,739</u>	<u>53,057,438</u>
(2,912,613)	(3,811,748)	(5,299,000)	(5,644,803)	(8,334,665)	(12,859,578)
10,375,000	18,040,000	3,314,406	755,000	14,105,000	5,690,000
733,159	3,220,773	189,967	130,802	510,352	29,005
(11,161,123)	(21,001,274)	(1,338,613)	(724,621)	(8,281,298)	-
4,077,117	3,314,660	2,981,635	7,396,548	5,695,409	5,368,659
(2,240,986)	(1,579,558)	(1,330,465)	(5,627,496)	(4,416,856)	(4,675,260)
<u>1,783,167</u>	<u>1,994,601</u>	<u>3,816,930</u>	<u>1,930,233</u>	<u>7,612,607</u>	<u>6,412,404</u>
<u>\$ (1,129,446)</u>	<u>\$ (1,817,147)</u>	<u>\$ (1,482,070)</u>	<u>\$ (3,714,570)</u>	<u>\$ (722,058)</u>	<u>\$ (6,447,174)</u>
22.8%	23.1%	21.9%	20.6%	23.6%	21.7%

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

Table 5

Real Property				
Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value	Total Direct Tax rate
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	0.6997
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	0.7351
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
2016	2,682,537,966	447,907,641	3,130,445,607	0.7499
2017	2,998,752,687	535,052,182	3,533,804,869	0.7449

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 & School Equalization</u>	<u>Dallas Parkland Hospital</u>	<u>Dallas County Comm. College</u>
2008	\$ 0.48592	\$ 0.22381	\$ 0.70973	\$ 0.23300	\$ 0.25400	\$ 0.08900
2009	0.48592	0.21381	0.69973	0.23300	0.27400	0.09500
2010	0.49592	0.20381	0.69973	0.23330	0.27400	0.09490
2011	0.50492	0.23020	0.73512	0.25310	0.27100	0.09923
2012	0.50490	0.25250	0.75740	0.25310	0.27100	0.09967
2013	0.51990	0.23750	0.75740	0.25300	0.27100	0.11938
2014	0.53030	0.22710	0.75740	0.25310	0.27600	0.12470
2015	0.53030	0.22710	0.75740	0.25310	0.27600	0.12478
2016	0.52490	0.22500	0.74990	0.25310	0.27600	0.12365
2017	0.53490	0.21000	0.74490	0.25240	0.27900	0.12293

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>
\$ 1.28573	\$ 1.51000	\$ 2.79573	\$ 1.18300	\$ 2.46873	\$ 1.41800	\$ 2.70373
1.30173	1.49000	2.79173	1.27100	2.57273	1.41800	2.71973
1.30193	1.49000	2.79193	1.27134	2.57327	1.41800	2.71993
1.35845	1.49000	2.84845	1.23781	2.59626	1.41800	2.77645
1.38117	1.44000	2.82117	1.29035	2.67152	1.41800	2.79917
1.40078	1.44000	2.84078	1.29035	2.69112	1.43000	2.83078
1.41120	1.49000	2.90120	1.28209	2.69329	1.41000	2.82120
1.41128	1.47000	2.88128	1.28209	2.69336	1.41000	2.82128
1.40265	1.46000	2.86265	1.28209	2.68474	1.52950	2.93215
1.39923	1.46000	2.85923	1.28209	2.68132	1.52150	2.92073

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

Table 7

Fiscal Year Ended Sept 30,	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2008	\$ 21,395,308	\$ 20,702,532	96.76%	\$ 661,974	\$ 21,364,506	99.86%
2009	21,379,787	20,812,339	97.35%	538,317	21,350,656	99.86%
2010	20,746,013	20,277,877	97.74%	437,991	20,715,868	99.85%
2011	20,692,471	20,324,347	98.22%	333,782	20,658,129	99.83%
2012	21,182,362	20,705,884	97.75%	432,649	21,138,533	99.79%
2013	21,069,288	20,922,192	99.30%	80,145	21,002,337	99.68%
2014	21,808,320	21,470,787	98.45%	262,330	21,733,117	99.66%
2015	22,604,400	22,311,366	98.70%	189,317	22,500,683	99.54%
2016	24,105,582	23,827,722	98.85%	145,564	23,973,286	99.45%
2017	26,041,869	25,775,037	98.98%	-	25,775,037	98.98%

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

* Includes Year to Date Adjustments to the Levy by the Tax Office

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

2017					
Taxpayer	Taxable Assessed Valuation (1)	Type of Business	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
Kohls Department Store	\$ 139,274,100	Manufacturing	1	3.94%	34.52%
Harvest A Southfield 35 LLC	44,677,790	Manufacturing	2	1.26%	11.07%
WRH Properties Inc	42,197,590	Apartments	3	1.19%	10.46%
DeSoto Apartments LTD	30,659,000	Apartments	4	0.87%	7.60%
Cintas Corporation 2	30,439,680	Retail/Uniforms	5	0.86%	7.54%
Walmart Stores Inc	29,926,060	Retail	6	0.85%	7.42%
Lowe's Home Centers LLC	24,579,040	Retail	7	0.70%	6.09%
Oncor Electric Delivery Co	23,692,030	Public Utility	8	0.67%	5.87%
Atlas Huntington Ridge LLC	19,880,890	Apartments	9	0.56%	4.93%
Solar Turbines Inc	18,181,350	Manufacturing	10	0.51%	4.51%
McGraw Hill/School	-	Distribution		-	-
Texas Utilities Elec. Co.	-	Utility		-	-
Tejas Family Investments	-	Investments		-	-
Weingarten Realty Inv	-	Investments		-	-
MaClay Carlin DeSoto LTD	-	Shopping Center		-	-
Diab LP	-	Manufacturing		-	-
Total	<u>\$ 403,507,530</u>			<u>11.42%</u>	<u>100.0%</u>

Source: (1) Dallas County Appraisal District

Table 8

2008			
Taxable Assessed Valuation (1)	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
\$ -		0.00%	0.00%
-		0.00%	0.00%
20,526,680	6	0.69%	5.74%
16,500,000	7	0.56%	4.61%
-		0.00%	0.00%
29,842,110	3	1.01%	8.34%
-		0.00%	0.00%
-		0.00%	0.00%
-		0.00%	0.00%
114,751,020	1	3.88%	32.07%
82,396,190	2	2.78%	23.03%
26,044,520	4	0.88%	7.28%
15,757,820	9	0.53%	4.40%
14,627,830	10	0.49%	4.09%
15,988,440	8	0.54%	4.47%
21,364,510	5	0.72%	5.97%
<u>\$ 357,799,120</u>		<u>12.08%</u>	<u>100.00%</u>

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CITY OF DESOTO, TEXAS
RATIOS OF OUTSTANDING DEBT BYTYPE
Last Ten Fiscal Years

Table 9

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Capital Lease Obligations	General Obligation Bonds	Certificates of Obligation			
2008	\$63,703,255	\$ 19,923,459	\$1,482,689	\$ 385,071	\$ -	\$ 4,920,000	\$ 90,414,474	6.58%	\$ 1,868
2009	61,401,561	22,478,459	1,291,852	290,796	1,376,694	8,500,000	95,339,362	7.28%	1,958
2010	59,120,223	21,250,000	1,095,105	188,241	1,212,833	13,125,000	95,991,402	6.52%	1,986
2011	55,373,650	21,995,000	892,040	518,768	1,326,351	15,680,000	95,785,809	6.39%	1,953
2012	54,005,759	15,865,000	678,926	410,089	708,576	14,985,000	86,653,350	5.80%	1,767
2013	53,121,252	14,927,710	459,346	308,020	3,762,502	15,363,753	87,942,583	5.65%	1,721
2014	45,570,481	14,180,000	233,105	336,990	2,944,519	14,550,000	77,815,095	4.96%	1,511
2015	44,332,817	15,535,000	-	770,403	2,847,183	13,870,000	77,355,403	4.89%	1,489
2016	45,500,391	13,730,000	-	636,436	2,814,609	12,565,000	75,246,436	4.70%	1,431
2017	55,299,716	9,172,713	-	1,539,718	5,432,098	10,467,913	81,912,158	5.06%	1,542

Source: Personal income and population data can be found in demographic and economic statistics table.

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

Fiscal Year	Population	Assessed Value	Total Bonded Debt (1)	Less Debt Services Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Per Capita
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
2016	52,586	3,130,445,607	75,246,436	3,194,715	72,051,721	2.30%	1,370
2017	53,128	3,533,804,869	81,912,158	3,641,392	78,270,766	2.21%	1,473

(1) Includes all long-term certificates of obligation, general obligation debt, notes payable and capital lease obligations.

CITY OF DESOTO, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2017

Table 11

<u>Taxing Jurisdiction</u>	<u>Total Tax Supported Debt (1)</u>	<u>Overlapping</u>	
		<u>Percent Applicable</u>	<u>Amount</u>
Overlapping Debt			
DeSoto Independent School District	\$ 135,311,658	85.26%	\$ 115,366,720
Dallas County	199,545,000	1.76%	3,511,992
Dallas County Schools	36,600,000	1.76%	644,160
Dallas Independent School District	2,923,745,000	0.54%	15,788,223
Dallas County Community College District	263,140,000	1.76%	4,631,264
Dallas County Hospital District	703,770,000	1.76%	12,386,352
Duncanville Independent School District	214,226,096	6.45%	13,817,583
Total Overlapping Debt			<u>166,146,294</u>
City Direct Debt (Governmental Activities)	66,012,147	100.00%	<u>66,012,147</u>
Total Direct and Overlapping Debt			<u><u>\$ 232,158,441</u></u>
Population			53,128
Ratio of direct and overlapping bonded debt to taxable assessed value			6.57%
Per Capita Debt-Direct and Overlapping Debt			<u><u>4,370</u></u>

Source - First Southwest Company

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

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.

CITY OF DESOTO, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
(UNAUDITED)
LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Assessed Value	\$ 3,533,804,869	\$ 3,130,445,607	\$ 3,017,996,030	\$ 2,877,357,291
Debt limit - (10%) of total assessed value	353,380,487	313,044,561	301,799,603	287,735,729
Amount of debt applicable to debt limit:				
Total bonded debt (including special assessment bonds)	81,912,158	75,246,436	77,355,403	77,815,095
Less: assets in debt service funds available for payment of principal	<u>3,641,392</u>	<u>3,194,715</u>	<u>2,820,786</u>	<u>2,532,070</u>
Total amount of debt applicable to debt limit	78,270,766	72,051,721	74,534,617	75,283,025
Legal Debt Margin	<u>\$ 275,109,721</u>	<u>\$ 240,992,840</u>	<u>\$ 227,264,986</u>	<u>\$ 212,452,704</u>
Ratio of outstanding net debt to the debt limit	22%	23%	25%	26%

Note: City's Debt Management Policy, Version 4, Section 9.0, adopted by the City Council April 7, 2015.

"The total principal amount of general obligation bonds together with the principal amount of all other outstanding tax indebtedness of the City shall not exceed ten (10) percent of the total assessed valuation of the City's tax rolls."

Table 12

2013	2012	2011	2010	2009	2008
\$ 2,779,938,575	\$ 2,795,486,741	\$ 2,810,329,891	\$ 2,938,727,244	\$ 3,064,485,872	\$ 2,959,555,830
277,993,858	279,548,674	281,032,989	293,872,724	306,448,587	295,955,583
87,942,583	86,653,350	95,785,809	95,991,402	95,339,362	90,414,474
<u>1,655,136</u>	<u>1,603,730</u>	<u>1,450,009</u>	<u>2,159,684</u>	<u>1,831,987</u>	<u>2,254,215</u>
86,287,447	85,049,620	94,335,800	93,831,718	93,507,375	88,160,259
<u>\$ 191,706,411</u>	<u>\$ 194,499,054</u>	<u>\$ 186,697,189</u>	<u>\$ 200,041,006</u>	<u>\$ 212,941,212</u>	<u>\$ 207,795,324</u>
31%	30%	34%	32%	31%	30%

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

Table 13

Fiscal Year	Population	Estimated Median Family Household Income (1)	Personal Income* (2)	Per Capita Personal Income*	Median Age	Education level in Years of Schooling	School Enrollment (3)	Unemployment Rate (4)
2008	48,391	\$ 62,960	\$ 1,373,095	\$ 28	37	High School + 2 Years	8,884	6.3%
2009	48,700	78,020	1,308,764	27	37	High School + 2 Years	9,063	9.6%
2010	48,322	75,488	1,472,710	30	37	High School + 2 Years	9,020	9.2%
2011	49,047	78,020	1,499,806	31	38.2	High School + 2 Years	8,995	9.4%
2012	49,047	58,711	1,494,805	30	38.2	High School + 2 Years	8,972	7.3%
2013	51,102	59,003	1,557,436	30	37.8	High School + 2 Years	9,177	7.0%
2014	51,483	60,945	1,569,047	30	36.1	High School + 2 Years	9,200	5.8%
2015	51,934	56,911	1,582,793	30	36.1	High School + 2 Years	9,600	4.0%
2016	52,586	60,945	1,599,616	30	36.1	High School + 2 Years	9,872	3.5%
2017	53,128	66,860	1,619,182	30	37	High School + 2 Years	9,742	4.7%

Sources:

- (1) DeSoto Economic Development Corporation (Claritas) - 2015
- (2) US Census Bureau
- (3) DeSoto Independent School District
- (4) Bureau of Labor Statistics

Note: * Amount presented in thousands of dollars

CITY OF DESOTO, TEXAS

PRINCIPAL EMPLOYERS

(UNAUDITED)

Current Year and Nine Years Ago

Table 14

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
DeSoto ISD	1,369	1	5.39%	924	1	3.70%
Kohl's e-Commerce	500	2	1.97%	-	-	-
Solar Turbines	400	3	1.57%	300	4	1.20%
City of DeSoto	392	4	1.54%	353	2	1.41%
Williamsburg Village	350	5	1.38%	210	6	0.84%
Wal Mart Super Center	335	6	1.32%	-	-	-
Marten Transport	309	7	1.22%	-	-	-
GlasFloss Industries	250	8	0.98%	240	5	0.96%
Wal Mart Distribution	250	9	0.98%	-	-	-
Hickory Trail Hospital	250	10	0.98%	-	-	-
McGraw-Hill	-	-	-	155	7	0.62%
DIAB	-	-	-	325	3	1.30%
Tom Thumb	-	-	-	150	8	0.60%
Albertson's	-	-	-	126	9	0.50%
Kroger	-	-	-	125	10	0.50%
Total	4,405		17.33%	2,908		11.63%

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:

Function/Program	2017	2016	2015	2014	2013
Governmental Activities:					
General Government	11	10	10	10	10
Public Safety	205	207	193	184	188
Development Services	32	29	27	27	25
Parks and Recreation Services	26	35	34	34	36
Finance	9	9	9	9	15
Municipal Court*	7	7	7	6	
Library	8	8	15	15	15
Human Resources	5	4	5	4	3
Information Technology	5	3	4	3	2
Water & Sewer	26	30	31	31	30
Drainage	5	5	5	5	5
Sanitation	5	5	5	5	5
Total	344	352	345	333	334
Population	53,128	66,860	60,945	56,911	60,945
Staff per 1,000 population	6.47	5.26	5.66	5.85	5.48

* Formerly categorized with Financial Services.

Source: City of DeSoto Human Resource Department

Table 15

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
11	10	10	10	10
196	200	199	197	196
25	25	24	24	24
28	28	27	26	26
11	10	10	11	11
12	12	7	7	7
3	3	3	3	3
2	2	2	2	2
28	26	26	26	26
1	1	1	1	1
<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<u>322</u>	<u>322</u>	<u>314</u>	<u>312</u>	<u>311</u>
59,003	58,711	78,020	75,488	78,020
5.46	5.48	4.02	4.13	3.99

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

Function/Program	2017	2016	2015	2014
General government				
Number of public information requests processed	469	503	386	392
Public safety				
Number of youth outreach programs held	5	5	5	2
Number of senior citizen symposiums held	1	1	1	1
Number of citizen police academics per year	1	1	1	1
Fire code inspections completed	1,477	1,433	389	235
Development services				
Traffic signal inspections	36	68	68	34
Parks and leisure services				
Total fitness facility memberships	2,128	4,017	1,139	4,433
Total swimming pool attendance	18,624	16,699	17,723	15,817
Library				
Total children's' story time programs	55	69	63	61
Human resources				
Number of salary surveys completed	51	40	25	21
Finance				
Municipal court cases filed	9,425	10,101	10,077	12,371
Information technology				
Number of City computers replaced annually	94	61	24	58
Water and sewer				
Number of touch read meters changed out	1,692	1,740	1,580	4,224
Number of meters read monthly	17,570	17,387	17,254	17,484
Drainage				
Number of easements acquired for project construction	6	7	-	-
Sanitation				
Number of existing intersection landscapes renovated annually	6	18	4	17

Source: Information provided by the head of each department

Table 16

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

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

Function/Program	2017	2016	2015	2014	2013
Public safety					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Development services					
Lane Miles of streets	495	495	495	493	482
Miles of alleys	90	90	90	90	90
Traffic signals	17	17	17	17	17
Parks and recreation					
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
Library					
Number of libraries	1	1	1	1	1
Water and sewer					
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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
1	1	1	1	1
3	3	3	3	3
478	491	391	484	473
77	91	94	96	96
17	17	17	17	16
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	39.5mg/day	39.5mg/day
5mg.	5mg.	5mg.	5mg.	5mg.
13mg.	13mg.	13mg.	13mg.	13mg.