

**CITY OF DESOTO, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**



Prepared by the

FINANCIAL SERVICES DEPARTMENT

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CITY MANAGER

Tarron Richardson, Ph.D.

CITY COUNCIL

Curtistene S. McCowan, Mayor

Kay Brown-Patrick, Council Member

Nicole Raphiel, Council Member

Rachel Proctor, Mayor Pro Tem

Richard North, Council Member

Candice Quarles, Council Member

Kenzie Moore III, Council Member



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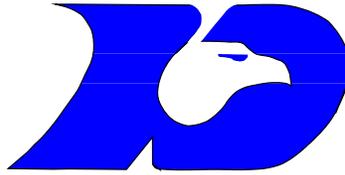
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## **INTRODUCTORY SECTION**





# City of DeSoto

March 12, 2019

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 Sunday, September 30, 2018.

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 Sunday, September 30, 2018, 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 2018, it was estimated that the City of DeSoto had 53,568 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 2018, the GF had a fund balance of \$24,857,872, 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 53,568 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 FY2018 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 September 30, 2017. 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 33 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,

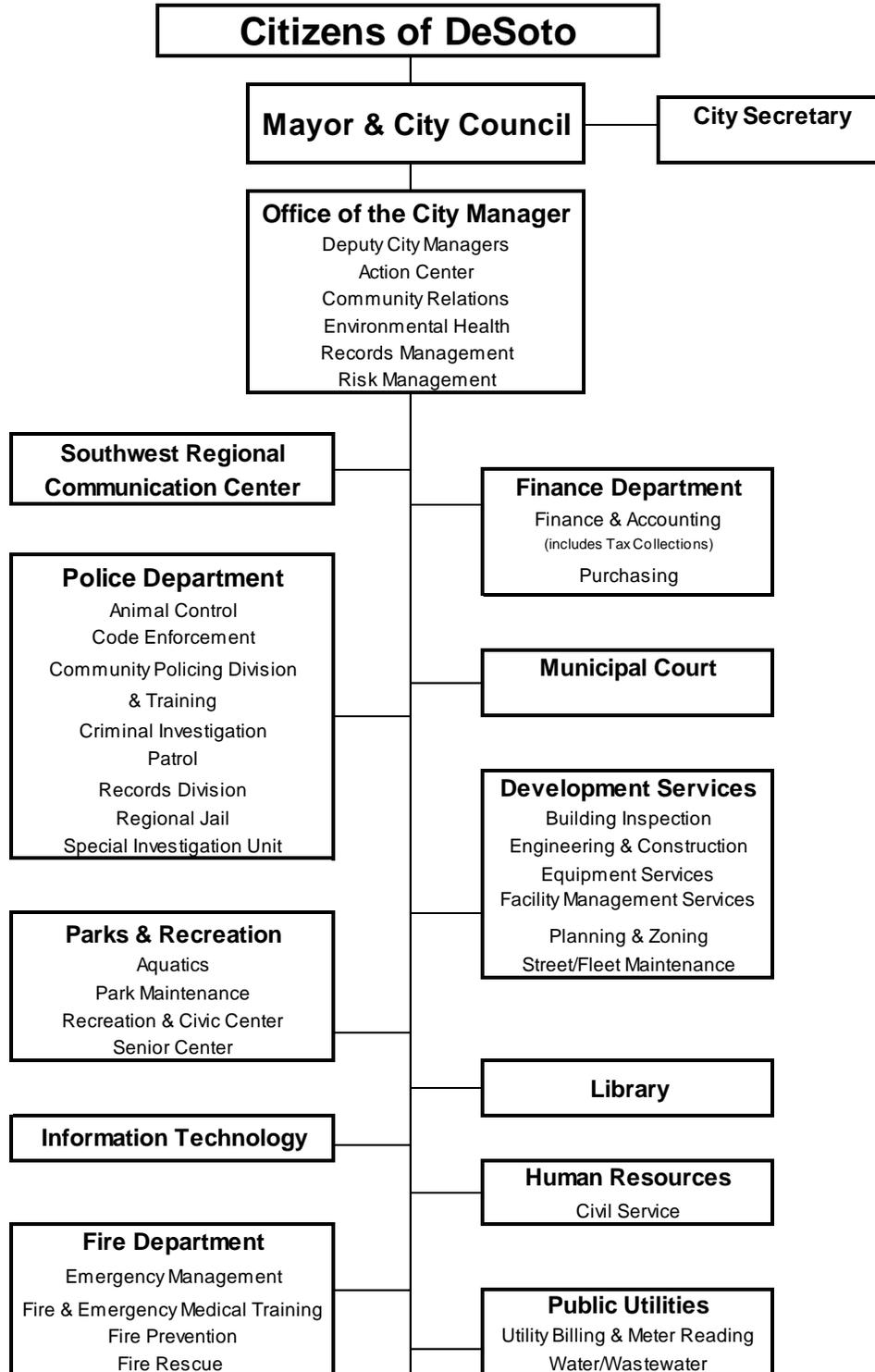


Tarron Richardson, Ph.D.  
City Manager



Tracy L. Cormier  
Managing Director of Financial Services

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



# City Officials

## City Council



Curtistene McCowan, Mayor  
Place One



Kay Brown-Patrick  
Place Two



Nicole Raphiel  
Place Three



Rachel Proctor  
Mayor Pro Tem, Place Four



Richard North  
Place Five



Candice Quarles  
Place Six



Kenzie Moore III  
Place Seven

## Executive Team

<b>Tarron J. Richardson, PhD.</b> City Manager	
<b>Tracie Hlavinka</b> Deputy City Manager	<b>Letitia L. Shelton</b> Deputy City Manager
<b>Tamara Bell</b> Managing Director S.W.R.C.C.	<b>Isom Cameron</b> Managing Director Public Utilities
<b>Joseph Costa</b> Police Chief	<b>Jerry Duffield</b> Fire Chief
<b>Derek T. Figert</b> Managing Director Information Technology	<b>Joe Gorfida</b> City Attorney
<b>Renee Johnson</b> Managing Director Parks & Recreation	<b>Crystal Owens</b> Managing Director Development Services
<b>Kathy Jones</b> Community Relations Manager	<b>Tracy L. Cormier, CGFO</b> Managing Director of Financial Services
<b>Scott Kurth</b> Judge DeSoto Municipal Court	<b>Kerry McGeath</b> Managing Director Library Services
<b>Kisha Morris</b> City Secretary	<b>Kathleen Shield</b> 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, 2017**

*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, each major fund, and aggregate discretely presented component unit and remaining fund information of the City of DeSoto, Texas (the "City"), as of and for the year ended September 30, 2018, 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 13 to the financial statements, the City adopted the provisions of Government Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of September 30, 2018. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 6 through 16, budgetary comparison information on pages 68 through 69, pension system and OPEB supplementary information on pages 70 through 72, 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

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

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 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 12, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance and has been issued under separate cover.

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

Houston, Texas  
March 12, 2019

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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, 2018. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report, and the financial statements which follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2018 fiscal year by \$182,879,439 (net position). Of this amount, \$47,083,379 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2018, the City's governmental funds reported combined ending fund balances of \$46,526,557, an increase of \$150,329 from the prior year. Approximately 52% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24,369,385 or 67% of total General Fund expenditures.
- The City's total capital assets net of accumulated depreciation decreased by \$1.4 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 outstanding general obligation bonds and certificates of obligation decreased \$6.5 million to a total outstanding amount of \$67.3 million. The decrease is due to scheduled principal payments in fiscal year 2018.
- The City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* ("GASB No. 75") and as a result reported a prior period adjustment to decrease net position in the governmental activities by \$744,162 and to decrease net position in the business-type activities by \$580,300.

**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.

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

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 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, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$182,879,439.

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, \$47,083,379 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, 2018, 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 54,544,239	\$ 52,596,508	\$ 26,491,851	\$ 26,354,083	\$ 81,036,090	\$ 78,950,591
Capital assets	132,403,102	133,334,011	59,788,282	60,207,037	192,191,384	193,541,048
Total assets	186,947,341	185,930,519	86,280,133	86,561,120	273,227,474	272,491,639
Deferred outflows of resources	2,855,697	8,527,226	304,019	849,961	3,159,716	9,377,187
Current and other liabilities	4,425,924	2,640,142	3,557,373	3,376,349	7,983,297	6,016,491
Long-term liabilities	66,247,716	78,014,237	15,391,667	16,962,759	81,639,383	94,976,996
Total Liabilities	70,673,640	80,654,379	18,949,040	20,339,108	89,622,680	100,993,487
Deferred inflows of resources	3,796,271	2,862,824	88,800	271,300	3,885,071	3,134,124
Net position						
Net investment in capital assets	80,033,283	75,324,298	48,169,097	52,278,918	128,202,380	127,603,216
Restricted	7,593,680	7,114,045	-	-	7,593,680	7,114,045
Unrestricted	27,706,164	28,502,199	19,377,215	14,521,755	47,083,379	43,023,954
Total net position	<u>\$ 115,333,127</u>	<u>\$ 110,940,542</u>	<u>\$ 67,546,312</u>	<u>\$ 66,800,673</u>	<u>\$ 182,879,439</u>	<u>\$ 177,741,215</u>

**Governmental activities.** Net position increased by \$5,166,747 in fiscal year 2018. This is compared to an increase of \$4,046,422 in fiscal year 2017. During the current year, there were increases in property taxes, other local taxes, and interest income earned. Governmental expenditures increased largely in the area of general government and development services.

**Business-type activities.** Net position increased by \$803,939 in the current year compared to decrease of \$360,544 in fiscal year 2017. The increase in net position as compared to prior year is contributable to the increase in revenue related to charges for services, interest income earned and a decrease in expenses related to storm drainage repair and maintenance cost.

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

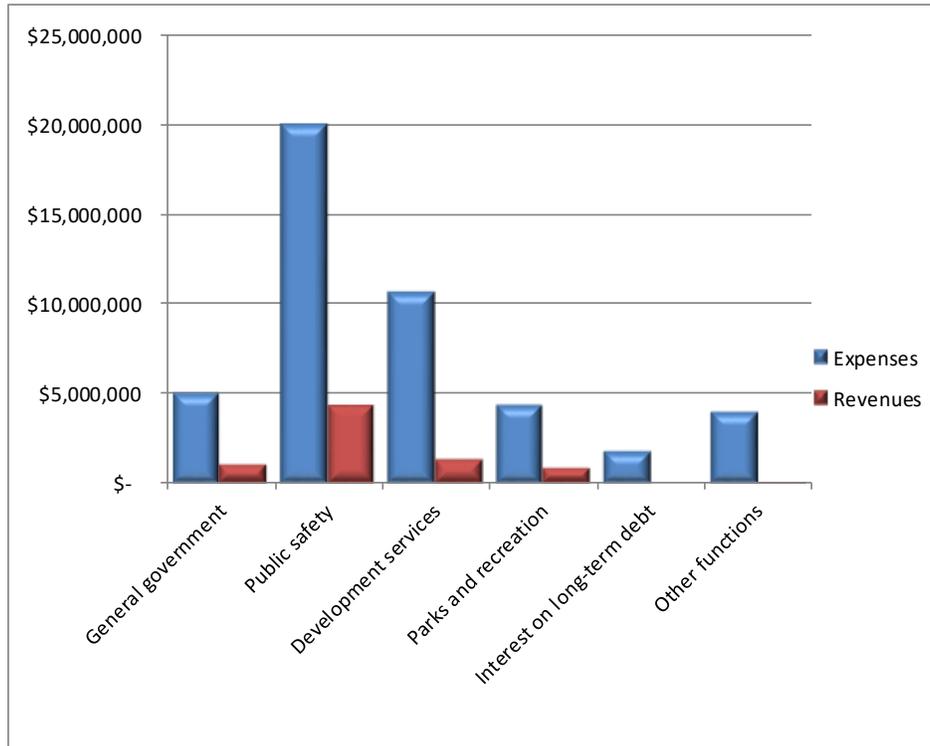
**City of DeSoto's Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 6,569,195	\$ 6,655,939	\$ 27,869,514	\$ 26,128,056	\$ 34,438,709	\$ 32,783,995
Operating grants and contributions	1,009,861	1,148,587	-	-	1,009,861	1,148,587
Capital grants and contributions	150,000	250,000	-	-	150,000	250,000
General Revenues:						
Property taxes	27,172,987	25,082,533	-	-	27,172,987	25,082,533
Other local taxes	12,580,779	11,549,332	-	-	12,580,779	11,549,332
Interest income	647,466	302,375	207,387	111,460	854,853	413,835
Miscellaneous	713,774	2,521,996	-	63,500	713,774	2,585,496
<b>Total revenues</b>	<u>48,844,062</u>	<u>47,510,762</u>	<u>28,076,901</u>	<u>26,303,016</u>	<u>76,920,963</u>	<u>73,813,778</u>
<b>Expenses</b>						
General government	5,049,294	3,683,213	-	-	5,049,294	3,683,213
Public Safety	19,970,864	20,858,244	-	-	19,970,864	20,858,244
Development services	10,626,406	9,785,883	-	-	10,626,406	9,785,883
Financial services	553,589	547,209	-	-	553,589	547,209
Municipal court	654,228	664,332	-	-	654,228	664,332
Information technology	1,183,645	1,032,524	-	-	1,183,645	1,032,524
Human resources	543,970	420,891	-	-	543,970	420,891
Parks and recreation	4,374,426	4,402,453	-	-	4,374,426	4,402,453
Library services	1,046,804	1,055,252	-	-	1,046,804	1,055,252
Interest on long-term debt	1,797,897	3,138,147	-	-	1,797,897	3,138,147
Water and sewer	-	-	19,439,621	19,002,233	19,439,621	19,002,233
Storm drainage	-	-	1,187,471	1,220,638	1,187,471	1,220,638
Sanitation	-	-	4,522,062	4,316,881	4,522,062	4,316,881
<b>Total Expenses</b>	<u>45,801,123</u>	<u>45,588,148</u>	<u>25,149,154</u>	<u>24,539,752</u>	<u>70,950,277</u>	<u>70,127,900</u>
Increase (decrease) in net position						
before transfers	3,042,939	1,922,614	2,927,747	1,763,264	5,970,686	3,685,878
Transfers	2,123,808	2,123,808	(2,123,808)	(2,123,808)	-	-
Change in net position	5,166,747	4,046,422	803,939	(360,544)	5,970,686	3,685,878
<b>Net position - beginning</b>	110,940,542	106,894,120	66,800,673	67,161,217	177,741,215	174,055,337
Prior period adjustments	(774,162)	-	(58,300)	-	(832,462)	-
<b>Net position - ending</b>	<u>\$ 115,333,127</u>	<u>\$ 110,940,542</u>	<u>\$ 67,546,312</u>	<u>\$ 66,800,673</u>	<u>\$ 182,879,439</u>	<u>\$ 177,741,215</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, 2018. Overall, the City had an increase in net position of \$5,970,686. 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 2018 fiscal year, the City's governmental funds reported combined ending fund balances of \$46,526,557, an increase of \$150,329 from the prior year. Approximately 52% of this total amount is available for spending at the City's discretion. A portion of the remaining fund balance in the amount of \$13,795,426 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 \$24,369,385, while the total fund balance was \$24,857,872. 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 67% of the general fund expenditures.

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

The final general fund budget for fiscal year 2018 reflected a decrease of \$3,795,246 in fund balance. The actual change in fund balance was an increase of \$1,162,378. Contributing factors was the realization of revenues \$2,184,126 over the budgeted amounts and overall expenditures \$4,779,464 under budgeted amounts. Key factors affecting fund balance are as follows:

- Total actual General Fund revenues of \$37,949,254 increased from FY 2017 actuals by \$1,688,722 and were greater than budgeted FY 2018 by \$2,184,126.
  - Property tax revenue increased by \$1,721,566 from FY 2017 actuals as the overall property tax rate decreased by 2.5%; the number of parcels decreased by 0.63%; and the taxable values increased by 2.38%.
  - Sales tax revenues increased by \$663,007 and franchise fees increased by \$214,316.
  - Intergovernmental revenue decreased by \$846,216, which was due to a FEMA reimbursement for the Tornado disaster in the prior year.
  - Charges for services decreased by \$365,263 due primarily to ambulance service charges.
  - Fines and forfeitures increased by \$130,962 due to a shift in traffic division personnel in the Police Department.
  - Franchise fees increased by \$214,316 as the result of increased franchise fees.
- Total General Fund expenditures of \$36,527,892 increased by \$2,493,557 from FY 2017 actuals and were less than budgeted FY 2018 amounts by \$4,779,464.
  - General government increased by \$123,751 from FY 2017 actuals due to newly created positions, the purchase of land related to the Hampton Road land project, and also an increase in participant expenses for SWRCC and Tri City Jail.
  - Public safety – Police expenditures decreased by \$356,208, primarily due to a number of vacant positions during the year.
  - Public safety - Fire expenditures increased by \$342,927 primarily due to an increase in personnel costs.
  - Development Services expenditures decreased by \$273,588 primarily due to a decrease in professional service contracts, machinery and equipment cost and utilities.
  - Financial services expenditures increased by \$52,843 primarily due to an increase in personnel costs.
  - Information technology expenditures increased by \$175,635 due to additional personnel and computer software and equipment purchases.
  - Human Resources expenditures increased by \$141,651 for personnel and wellness and benefit expenditures.
  - Parks and recreation services expenditures increased by \$34,427 due to personnel and repair and maintenance of park facilities.
  - Non-departmental expenditures increased by increased by \$1,054,922 due primarily to an economic incentive, based upon property tax revenues, provided by the City.
  - Capital outlay expenditures increased by \$1,159,750 due to large expenditures in FY 2018 related to machinery and equipment, motor vehicles and a fire truck.

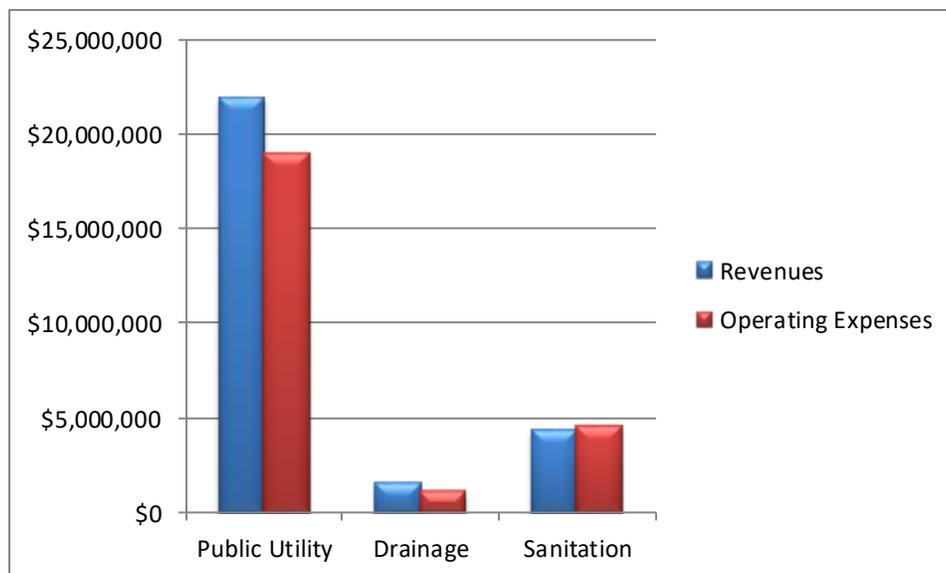
**CITY OF DESOTO, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The actual revenues of \$37,949,254 were more than the budgeted revenues by \$2,184,126. Property tax, sales tax, franchise fees, fines and forfeitures, licenses and permits, investment earnings, recreation services, and miscellaneous revenue exceeded the budgeted amount. The actual expenditures of \$36,527,892 were \$4,779,464 less than final budgeted expenditures.

Debt service fund balance increased by \$390,213 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 decreased by \$497,104 due to the progression of various street improvement projects in 2018 that were identified in the five-year capital improvement plan.

**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 – \$14,339,696, Storm Drainage –\$3,255,199, and Sanitation – \$1,808,320. The net position for the Public Utility fund increased \$581,488; Storm Drainage increased \$384,021 and Sanitation decreased \$161,570. The overall change in net position for business-type activities was an increase of \$803,939. Public Utility Fund revenues increased with a sewer service base rate and volume charge increase. Overall Proprietary Funds operating revenues of \$27,869,514 reflected an increase of \$1,677,958 or an increase of approximately 6.4% compared to FY 2017. Proprietary Funds operating expenses of \$24,617,090 reflected an increase of \$638,230 or an increase of approximately 2.7% from FY 2017. There were 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 2018, the City had \$192.2 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 \$1.4 million from the prior fiscal year.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land	\$ 7,341	\$ 5,604	\$ 1,244	\$ 1,244	\$ 8,585	\$ 6,848
Construction in progress	8,123	10,133	3,813	2,363	11,936	12,496
Street/Alley ROW	14,073	14,073	-	-	14,073	14,073
Buildings	24,167	23,153	-	-	24,167	23,153
Infrastructure	75,289	76,853	53,763	55,784	129,052	132,637
Equipment and furniture	3,409	3,518	968	816	4,377	4,334
	<u>\$ 132,402</u>	<u>\$ 133,334</u>	<u>\$ 59,788</u>	<u>\$ 60,207</u>	<u>\$ 192,190</u>	<u>\$ 193,541</u>

Major capital asset events during the 2018 fiscal year include the following:

- **2018 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: Parkerville Road (Westmoreland Road to 110 feet west of Kemper), Faye Street (Yound Boulevard to Tara Drive), Windwood Drive (Faye Street to South of Belt Line Road), Lanett Drive (Lanett Circle to Pecan Drive), Lanett Drive (Ida Bess Avenue to Bob White Street ), Spinner Road (Hampton Road to Vince Lane), Spinner Road (Denis Drive to Young Boulevard), and Marble Canyon Drive (Mantlebrook Drive to Bright Angel Trail). The estimated capitalized cost for this project is \$860,000.
- **Wintergreen Road Screening Wall, Phase III:** The scope of work is the installation of a decorative concrete screening wall along the south side of Wintergreen Road between Pinnacle Peak Drive and Mantlebrook Drive. The estimated capitalized cost for this project is \$82,000.
- **Chiller Replacement:** The scope of this project consisted of replacing the HVAC chiller located at the Town Center facility. The replacement of the aging chiller will allow the air conditioning system to operate more effectively and efficiently. The estimated capitalized cost for this project is \$525,000.

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 and General Obligation Bonds (in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 45,466	\$ 49,833	\$ 4,509	\$ 4,812	\$ 49,975	\$ 54,645
Certificates of obligation	7,735	8,795	9,580	10,305	17,315	19,100
	<u>\$ 53,201</u>	<u>\$ 58,628</u>	<u>\$ 14,089</u>	<u>\$ 15,117</u>	<u>\$ 67,290</u>	<u>\$ 73,745</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 to the financial statements.

**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 2018. The City's tax rate will be reduced for the fourth year in a row in fiscal year 2019. The FY 2019 budget was adopted with total tax rate of \$.721394 per \$100 valuation and an Operation & Maintenance tax rate of \$0.5500 and Interest and Sinking tax rate of \$0.171394.

Sales Tax is the second largest revenue source. In 2018, retail and industry taxable sales were substantially unchanged. Revenue related to sales tax exceeded general fund budget by approximately 16.2%; with overall revenue slightly higher than FY2017. The budget estimates for Franchise Fees for FY 2018 actuals were consistent with prior year and exceeded budget expectations. In FY 2019 the budget for franchise fees have been conservatively budgeted to be consistent with FY2018. Charges for services exceeded current year budgeted revenues by \$73,608. Because this category of revenue collections can span a number of fiscal years it will be budgeted conservatively in FY 2019. Overall, budgeted revenue in the General Fund for FY 2019 increased by approximately \$2,221,320, which represents the increase in property tax revenue based on an increase in taxable values for FY19 budget.

The fiscal year 2019 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 2019 budget were additional positions to enhance services and increased to insurance costs. The cost associated with personnel for the General Fund for fiscal year 2019 is approximately \$1.0 million, an overall increase of 3.7%.

**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 2019 we will continue participation in TMRS, and the City's match will remain 2:1. In FY 2019, the actuarial rate will be 11.10%, which is a decrease of 0.29% 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 2019 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: Finance Managing Director, 211 E. Pleasant Run Road, DeSoto, Texas 75115, or call (972) 230-9678, or email [tcormier@desototexas.gov](mailto:tcormier@desototexas.gov).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DESOTO, TEXAS**

**STATEMENT OF NET POSITION**

September 30, 2018

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 47,061,411	\$ 22,914,621	\$ 69,976,032
Receivables, net of allowances	5,546,595	3,569,846	9,116,441
Due from component units	18,000	-	18,000
Inventories	48,487	7,384	55,871
Prepaid items	3,003	-	3,003
Notes receivable	875,000	-	875,000
Investment in joint ventures	991,743	-	991,743
<b>Capital Assets:</b>			
Non-depreciable	29,537,472	5,057,633	34,595,105
Depreciable, net	102,865,630	54,730,649	157,596,279
<b>Total Capital Assets</b>	<u>132,403,102</u>	<u>59,788,282</u>	<u>192,191,384</u>
<b>Total Assets</b>	<u>186,947,341</u>	<u>86,280,133</u>	<u>273,227,474</u>
<b>Deferred Outflows of Resources</b>			
Deferred amounts - postemployment benefits	2,383,921	229,300	2,613,221
Deferred charge on refunding	471,776	74,719	546,495
<b>Total Deferred Outflows of Resources</b>	<u>2,855,697</u>	<u>304,019</u>	<u>3,159,716</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	3,305,683	1,779,433	5,085,116
Due to primary government	-	-	-
Accrued liabilities	769,711	80,833	850,544
Accrued interest	261,084	66,686	327,770
Unearned revenues	89,446	-	89,446
Customer deposits	-	1,630,421	1,630,421
Noncurrent liabilities:			
Due within one year	6,511,111	1,140,863	7,651,974
Due in more than one year	57,554,509	14,056,704	71,611,213
Net pension liability	1,263,626	125,000	1,388,626
Total OPEB liability	918,470	69,100	987,570
<b>Total Liabilities</b>	<u>70,673,640</u>	<u>18,949,040</u>	<u>89,622,680</u>
<b>Deferred Inflows of Resources</b>			
Deferred amounts - postemployment benefits	3,796,271	88,800	3,885,071
<b>Total Deferred Inflows of Resources</b>	<u>3,796,271</u>	<u>88,800</u>	<u>3,885,071</u>
<b>Net Position</b>			
Net investment in capital assets	80,033,283	48,169,097	128,202,380
Restricted for:			
Debt service	4,869,827	-	4,869,827
Public safety	1,197,607	-	1,197,607
Economic development	1,526,246	-	1,526,246
Unrestricted	27,706,164	19,377,215	47,083,379
<b>Total Net Position</b>	<u>\$ 115,333,127</u>	<u>\$ 67,546,312</u>	<u>\$ 182,879,439</u>

See notes to the financial statements.

<b>Component Units</b>		
<b>Desoto Parks Development Corporation</b>	<b>Desoto Economic Development Corporation</b>	
\$ 571,430	\$ 3,238,945	
145,429	448,415	
-	-	
-	-	
-	-	
-	271,379	
-	-	
11,250	-	
<u>1,848,522</u>	<u>-</u>	
<u>1,859,772</u>	<u>-</u>	
<u>2,576,631</u>	<u>3,958,739</u>	
-	-	
-	8,223	
<u>-</u>	<u>8,223</u>	
-	248,019	
-	18,000	
-	20,804	
7,187	9,147	
-	-	
-	-	
410,000	235,000	
945,000	1,548,695	
-	-	
-	-	
<u>1,362,187</u>	<u>2,079,665</u>	
-	-	
-	-	
497,585	-	
-	-	
-	-	
-	-	
716,859	1,887,297	
<u>\$ 1,214,444</u>	<u>\$ 1,887,297</u>	

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
<b>Governmental Activities:</b>				
General government	\$ 5,049,294	\$ 454,807	\$ 602,295	\$ -
Public safety	19,970,864	3,942,371	376,937	-
Development services	10,626,406	1,395,670	-	-
Financial services	553,589	-	-	-
Municipal court	654,228	-	13,400	-
Information technology	1,183,645	-	-	-
Human resources	543,970	-	-	-
Parks and recreation	4,374,426	740,252	5,586	150,000
Library services	1,046,804	36,095	11,643	-
Interest on long-term debt	1,797,897	-	-	-
<b>Total Governmental Activities</b>	<u>45,801,123</u>	<u>6,569,195</u>	<u>1,009,861</u>	<u>150,000</u>
<b>Business-type Activities:</b>				
Public utility	19,439,621	21,971,318	-	-
Storm drainage	1,187,471	1,552,846	-	-
Sanitation	4,522,062	4,345,350	-	-
<b>Total Business-type Activities</b>	<u>25,149,154</u>	<u>27,869,514</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 70,950,277</u>	<u>\$ 34,438,709</u>	<u>\$ 1,009,861</u>	<u>\$ 150,000</u>
<b>Component Units</b>				
DeSoto Parks Development Corporation	\$ 519,116	\$ -	\$ -	\$ -
DeSoto Economic Development Corporation	2,492,512	-	-	-
<b>Total Component Units</b>	<u>\$ 3,011,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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**

Change in accounting principles

Net Position - beginning, as restated

**Net Position - ending**

See notes to the financial statements.

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

<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>DeSoto Park Development Corporation</b>	<b>DeSoto Economic Development Corporation</b>
\$ (3,992,192)	\$ -	\$ (3,992,192)	\$ -	\$ -
(15,651,556)	-	(15,651,556)	-	-
(9,230,736)	-	(9,230,736)	-	-
(553,589)	-	(553,589)	-	-
(640,828)	-	(640,828)	-	-
(1,183,645)	-	(1,183,645)	-	-
(543,970)	-	(543,970)	-	-
(3,478,588)	-	(3,478,588)	-	-
(999,066)	-	(999,066)	-	-
(1,797,897)	-	(1,797,897)	-	-
<u>(38,072,067)</u>	<u>-</u>	<u>(38,072,067)</u>	<u>-</u>	<u>-</u>
-	2,531,697	2,531,697	-	-
-	365,375	365,375	-	-
-	(176,712)	(176,712)	-	-
<u>-</u>	<u>2,720,360</u>	<u>2,720,360</u>	<u>-</u>	<u>-</u>
<u>(38,072,067)</u>	<u>2,720,360</u>	<u>(35,351,707)</u>	<u>-</u>	<u>-</u>
			(519,116)	-
			-	(2,492,512)
27,172,987	-	27,172,987	-	-
3,230,330	-	3,230,330	-	-
8,293,142	-	8,293,142	843,259	2,073,286
1,057,307	-	1,057,307	-	-
647,466	207,387	854,853	712	13,260
713,774	-	713,774	-	39,261
2,123,808	(2,123,808)	-	-	-
<u>43,238,814</u>	<u>(1,916,421)</u>	<u>41,322,393</u>	<u>843,971</u>	<u>2,125,807</u>
5,166,747	803,939	5,970,686	324,855	(366,705)
110,940,542	66,800,673	177,741,215	889,589	2,254,002
(774,162)	(58,300)	(832,462)	-	-
<u>110,166,380</u>	<u>66,742,373</u>	<u>176,908,753</u>	<u>889,589</u>	<u>2,254,002</u>
<u>\$ 115,333,127</u>	<u>\$ 67,546,312</u>	<u>\$ 182,879,439</u>	<u>\$ 1,214,444</u>	<u>\$ 1,887,297</u>

**CITY OF DESOTO, TEXAS**

*BALANCE SHEET*

**GOVERNMENTAL FUNDS**

*September 30, 2018*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Street Improvement</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and investments	\$ 23,758,718	\$ 4,018,676	\$ 7,205,129	\$ 12,078,888	\$ 47,061,411
Receivables, net:					
Taxes	2,340,506	238,585	-	134,154	2,713,245
Due from other governments	87,586	-	-	46,988	134,574
Accounts and other	2,697,506	-	-	1,270	2,698,776
Due from component unit	18,000	-	-	-	18,000
Due from other funds	742,116	-	-	-	742,116
Inventories	48,487	-	-	-	48,487
Prepaid items	-	-	-	3,003	3,003
Note receivable	-	875,000	-	-	875,000
<b>Total Assets</b>	<u>\$ 29,692,919</u>	<u>\$ 5,132,261</u>	<u>\$ 7,205,129</u>	<u>\$ 12,264,303</u>	<u>\$ 54,294,612</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,250,150	\$ 1,350	\$ 162,158	\$ 893,055	\$ 3,306,713
Accrued liabilities	741,007	-	-	27,674	768,681
Due to other funds	-	-	-	742,116	742,116
Unearned revenues	82,097	-	-	7,349	89,446
<b>Total Liabilities</b>	<u>3,073,254</u>	<u>1,350</u>	<u>162,158</u>	<u>1,670,194</u>	<u>4,906,956</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	1,761,793	1,099,306	-	-	2,861,099
<b>Total Deferred Inflows</b>	<u>1,761,793</u>	<u>1,099,306</u>	<u>-</u>	<u>-</u>	<u>2,861,099</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventories and prepaid items	48,487	-	-	3,003	51,490
<b>Restricted:</b>					
Debt service	-	4,031,605	-	-	4,031,605
Street improvements	-	-	7,042,971	-	7,042,971
Public safety	-	-	-	1,194,604	1,194,604
Economic development	-	-	-	1,526,246	1,526,246
Capital projects	-	-	-	7,656,560	7,656,560
<b>Committe:</b>					
Public health	-	-	-	20,292	20,292
Development activities	-	-	-	193,404	193,404
<b>Assigned:</b>					
Future healthcare costs	440,000	-	-	-	440,000
<b>Unassigned</b>	<u>24,369,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,369,385</u>
<b>Total Fund Balances</b>	<u>24,857,872</u>	<u>4,031,605</u>	<u>7,042,971</u>	<u>10,594,109</u>	<u>46,526,557</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 29,692,919</u>	<u>\$ 5,132,261</u>	<u>\$ 7,205,129</u>	<u>\$ 12,264,303</u>	<u>\$ 54,294,612</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, 2018*

**Total fund balance, governmental funds** \$ 46,526,557

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. 132,403,102

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	(53,201,456)
Capital leases payable	(1,321,865)
Compensated absences	(4,181,054)
Accrued interest payable	(261,084)
Unamortized premium on bonds	(5,361,245)

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 2,861,099

Deferred loss on refunding 471,776

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	991,743
Net pension liability	(1,263,626)
Net OPEB liability	(918,470)
Deferred outflows and inflows of resources related to the net pension liability	(1,479,292)
Deferred outflows of resources related to the net OPEB liability	66,942

**Net Position of Governmental Activities in the Statement of Net Position** \$ 115,333,127

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, 2018*

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Street Improvement</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property taxes	\$ 19,514,552	\$ 7,603,279	\$ -	\$ -	\$ 27,117,831
Sales taxes	8,334,059	-	-	-	8,334,059
Franchise fees and other	3,189,413	-	-	-	3,189,413
Hotel occupancy tax	-	-	-	1,057,307	1,057,307
Fines and forfeitures	1,450,464	-	-	66,045	1,516,509
Licenses and permits	1,395,670	-	-	-	1,395,670
Intergovernmental	407,137	342,649	-	1,848,338	2,598,124
Charges for services	2,090,732	-	-	25,375	2,116,107
Investment earnings	329,193	59,527	112,808	145,938	647,466
Recreation services	723,686	-	-	-	723,686
Miscellaneous	514,348	-	50	63,330	577,728
<b>Total Revenues</b>	<u>37,949,254</u>	<u>8,005,455</u>	<u>112,858</u>	<u>3,206,333</u>	<u>49,273,900</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	1,140,929	-	-	468,465	1,609,394
Public safety:					
Police	8,825,012	-	-	1,408,358	10,233,370
Fire	8,048,167	-	-	-	8,048,167
Development services	4,710,419	-	96,612	-	4,807,031
Financial services	508,146	-	-	-	508,146
Municipal court	555,153	-	-	84,875	640,028
Information technology	1,053,838	-	-	-	1,053,838
Human resources	533,957	-	-	-	533,957
Parks and recreation	3,287,841	-	-	202,975	3,490,816
Library services	1,042,710	-	-	86,164	1,128,874
Non-departmental	3,549,840	-	-	337,693	3,887,533
<b>Debt service:</b>					
Principal	54,578	5,590,075	-	-	5,644,653
Interest and other charges	4,852	2,332,305	-	-	2,337,157
<b>Capital outlay</b>	<u>3,212,450</u>	<u>-</u>	<u>1,218,039</u>	<u>2,940,226</u>	<u>7,370,715</u>
<b>Total Expenditures</b>	<u>36,527,892</u>	<u>7,922,380</u>	<u>1,314,651</u>	<u>5,528,756</u>	<u>51,293,679</u>
Excess (deficiency) of revenues over expenditures	<u>1,421,362</u>	<u>83,075</u>	<u>(1,201,793)</u>	<u>(2,322,423)</u>	<u>(2,019,779)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	46,300	-	-	-	46,300
Transfers in	2,217,811	333,438	704,689	1,587,017	4,842,955
Transfers out	<u>(2,523,095)</u>	<u>(26,300)</u>	<u>-</u>	<u>(169,752)</u>	<u>(2,719,147)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(258,984)</u>	<u>307,138</u>	<u>704,689</u>	<u>1,417,265</u>	<u>2,170,108</u>
Net change in fund balances	1,162,378	390,213	(497,104)	(905,158)	150,329
<b>Fund balances - beginning</b>	<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>
<b>Fund balances - ending</b>	<u>\$ 24,857,872</u>	<u>\$ 4,031,605</u>	<u>\$ 7,042,971</u>	<u>\$ 10,594,109</u>	<u>\$ 46,526,557</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, 2018*

Net change in fund balances - total governmental funds: \$ 150,329

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	7,467,327
Depreciation expense	(8,398,236)

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	(106,138)
Change in equity interest of joint venture	70,843

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	5,644,653
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Pension and OPEB contributions are treated as expenditures in the fund based financial statements, but are treated as reductions in the City's net pension and OPEB liability in the statement of net position. This amount is the difference between pension and OPEB contributions and net pension and OPEB expense (revenue) for the current fiscal year.

	(633,941)
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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	46,915
(Increase) decrease in compensated absences	432,650
Amortization of deferred loss on refunding	(24,920)
Amortization of deferred gain on refunding	34,337
Amortization of premium on bonds	482,928

<b>Change in net position of governmental activities</b>	<b>\$ 5,166,747</b>
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See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2018

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Public Utility</b>	<b>Drainage</b>	<b>Sanitation</b>	<b>Total</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and investments	\$ 17,816,845	\$ 3,226,717	\$ 1,871,059	\$ 22,914,621
Accounts receivable, net	2,848,450	161,992	559,404	3,569,846
Inventories	7,384	-	-	7,384
<b>Total current assets</b>	<b>20,672,679</b>	<b>3,388,709</b>	<b>2,430,463</b>	<b>26,491,851</b>
<b>Non-current assets</b>				
<b>Capital assets:</b>				
Land	583,160	341,196	320,087	1,244,443
Construction in progress	3,455,667	357,523	-	3,813,190
Improvements	9,524,634	5,002,363	548,503	15,075,500
Water and sewer systems	88,186,635	-	-	88,186,635
Drainage systems	-	13,338,414	-	13,338,414
Equipment and furniture	2,025,317	105,896	377,312	2,508,525
Accumulated depreciation	(55,212,886)	(8,785,555)	(379,984)	(64,378,425)
<b>Total non-current assets</b>	<b>48,562,527</b>	<b>10,359,837</b>	<b>865,918</b>	<b>59,788,282</b>
<b>Total Assets</b>	<b>69,235,206</b>	<b>13,748,546</b>	<b>3,296,381</b>	<b>86,280,133</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pension related	178,300	25,500	25,500	229,300
Deferred outflows - OPEB related	5,100	-	-	5,100
Deferred loss on bond refunding	26,923	42,696	-	69,619
<b>Total Deferred Outflows of Resources</b>	<b>210,323</b>	<b>68,196</b>	<b>25,500</b>	<b>304,019</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	1,207,976	3,727	567,730	1,779,433
Accrued liabilities	67,292	6,307	7,234	80,833
Accrued interest	55,543	11,143	-	66,686
Customer deposits	1,630,421	-	-	1,630,421
Compensated absences	66,608	18,492	12,220	97,320
Bonds payable	730,000	315,544	-	1,045,544
<b>Total Current Liabilities</b>	<b>3,757,840</b>	<b>355,213</b>	<b>587,184</b>	<b>4,700,237</b>
<b>Non-current Liabilities</b>				
Compensated absences	199,821	55,474	36,659	291,954
Bonds payable	11,611,398	2,151,351	-	13,762,749
Net pension liability	97,200	13,900	13,900	125,000
Net OPEB liability	69,100	-	-	69,100
<b>Total Non-current Liabilities</b>	<b>11,977,519</b>	<b>2,220,725</b>	<b>50,559</b>	<b>14,248,803</b>
<b>Total Liabilities</b>	<b>15,735,359</b>	<b>2,575,938</b>	<b>637,743</b>	<b>18,949,040</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - pension related	69,000	9,900	9,900	88,800
<b>Net Position</b>				
Net investment in capital assets	39,301,474	7,975,705	865,918	48,143,097
Unrestricted	14,339,696	3,255,199	1,808,320	19,403,215
<b>Total Net Position</b>	<b>\$ 53,641,170</b>	<b>\$ 11,230,904</b>	<b>\$ 2,674,238</b>	<b>\$ 67,546,312</b>

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2018*

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Public Utility</b>	<b>Drainage</b>	<b>Sanitation</b>	<b>Total</b>
<b>Revenues</b>				
Charges for services	\$ 21,971,318	\$ 1,552,846	\$ 4,345,350	\$ 27,869,514
<b>Total Revenues</b>	<u>21,971,318</u>	<u>1,552,846</u>	<u>4,345,350</u>	<u>27,869,514</u>
<b>Operating Expenses</b>				
Personnel costs	1,804,849	272,543	287,894	2,365,286
Water supply	5,476,509	-	-	5,476,509
Wastewater treatment	6,579,090	-	-	6,579,090
Refuse collection	-	-	3,450,357	3,450,357
Administrative charges	1,319,899	102,673	500,000	1,922,572
Contractual services	244,077	28,603	153,880	426,560
Repairs and maintenance	744,744	(17,212)	32,005	759,537
Materials and supplies	164,966	6,717	22,799	194,482
Other	257,588	42,755	1,024	301,367
Depreciation	2,410,719	656,508	74,103	3,141,330
<b>Total Operating Expenses</b>	<u>19,002,441</u>	<u>1,092,587</u>	<u>4,522,062</u>	<u>24,617,090</u>
Operating income (loss)	<u>2,968,877</u>	<u>460,259</u>	<u>(176,712)</u>	<u>3,252,424</u>
<b>Non-Operating Revenues (Expenses)</b>				
Investment earnings	173,599	18,646	15,142	207,387
Interest expense	(437,180)	(94,884)	-	(532,064)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(263,581)</u>	<u>(76,238)</u>	<u>15,142</u>	<u>(324,677)</u>
Income (loss) before transfers	2,705,296	384,021	(161,570)	2,927,747
Transfers out	<u>(2,123,808)</u>	<u>-</u>	<u>-</u>	<u>(2,123,808)</u>
Change in net position	581,488	384,021	(161,570)	803,939
<b>Total Net Position - beginning as originally reported</b>				
	53,117,982	10,846,883	2,835,808	66,800,673
Change in accounting principles	(58,300)	-	-	(58,300)
<b>Net position - beginning, as restated</b>	<u>53,059,682</u>	<u>10,846,883</u>	<u>2,835,808</u>	<u>66,742,373</u>
<b>Total Net Position - ending</b>	<u>\$ 53,641,170</u>	<u>\$ 11,230,904</u>	<u>\$ 2,674,238</u>	<u>\$ 67,546,312</u>

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2018*

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Public Utility</b>	<b>Drainage</b>	<b>Sanitation</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 21,904,045	\$ 1,559,888	\$ 4,347,020	\$ 27,810,953
Payments to suppliers	(14,713,657)	(295,769)	(3,952,042)	(18,961,468)
Payments to employees	(1,946,847)	(295,423)	(307,990)	(2,550,260)
<b>Net cash provided (used) by operating activities</b>	<u>5,243,541</u>	<u>968,696</u>	<u>86,988</u>	<u>6,299,225</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers out to other funds	(2,123,808)	-	-	(2,123,808)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(2,123,808)</u>	<u>-</u>	<u>-</u>	<u>(2,123,808)</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of property, plant and equipment	(2,635,622)	(36,206)	(50,747)	(2,722,575)
Principal paid on long-term debt	(725,000)	(303,200)	-	(1,028,200)
Interest paid on long-term debt	(472,159)	(120,882)	-	(593,041)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(3,832,781)</u>	<u>(460,288)</u>	<u>(50,747)</u>	<u>(4,343,816)</u>
<b>Cash flows from investing activities</b>				
Interest received	180,199	18,646	17,343	216,188
<b>Net cash provided (used) by investing activities</b>	<u>180,199</u>	<u>18,646</u>	<u>17,343</u>	<u>216,188</u>
Net increase (decrease) in cash and cash equivalents	(532,849)	527,054	53,584	47,789
<b>Cash and cash equivalents, beginning</b>	18,349,694	2,699,663	1,817,475	22,866,832
<b>Cash and cash equivalents, ending</b>	<u>\$ 17,816,845</u>	<u>\$ 3,226,717</u>	<u>\$ 1,871,059</u>	<u>\$ 22,914,621</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, 2018**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Public Utility</b>	<b>Drainage</b>	<b>Sanitation</b>	<b>Total</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 2,968,877	\$ 460,259	\$ (176,712)	\$ 3,252,424
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	2,410,719	656,508	74,103	3,141,330
Change in assets and liabilities:				
Decrease (increase) in customer receivable	(105,131)	7,042	1,670	(96,419)
Decrease (increase) in inventory	(2,361)	-	-	(2,361)
Increase (decrease) in accounts payable	66,519	(130,938)	209,171	144,752
Increase (decrease) in accrued liabilities	9,058	(1,295)	(1,148)	6,615
Increase (decrease) in customer deposits	37,858	-	-	37,858
Increase (decrease) in compensated absences	18,502	4,020	6,304	28,826
Increase (decrease) in net pension/total OPEB liabilities	(429,200)	(75,600)	(62,000)	(566,800)
Increase (decrease) in pension related deferred inflows	(136,900)	(23,300)	(22,300)	(182,500)
Decrease (increase) in pension and OPEB related deferred outflows	405,600	72,000	57,900	535,500
<b>Total adjustments</b>	<b>2,274,664</b>	<b>508,437</b>	<b>263,700</b>	<b>3,046,801</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 5,243,541</b>	<b>\$ 968,696</b>	<b>\$ 86,988</b>	<b>\$ 6,299,225</b>

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
*September 30, 2018*

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and investments	\$ 1,928,683
<b>Total assets</b>	<u>\$ 1,928,683</u>
<b>Liabilities</b>	
Due to Southwest Regional Communications Center	\$ 1,928,683
<b>Total liabilities</b>	<u>\$ 1,928,683</u>

See notes to the financial statements.

**CITY OF DESOTO, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*For the Year Ended September 30, 2018*

**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, 2018, the City had a tax rate of \$.7399 per \$100, of which \$.5400 was allocated for general government, and \$.1999 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, 2018.

**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:

<u>Asset</u>	<u>Years</u>
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 three 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. These outflows are included in the deferred amounts for post-employment benefits on the statement of net position.
- Deferred outflows of resources for OPEB – these deferred outflows result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits, which is currently between 5.75 and 8.5 years, depending on the plan. These outflows are included in the deferred amounts for post-employment benefits on the statement of net position.

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.

**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 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:

	<b>General</b>	<b>Debt Service</b>	<b>Total</b>
Property taxes	\$ 548,307	\$ 224,306	\$ 772,613
Court fines and fees receivable	632,758	-	632,758
Ambulance	551,938	-	551,938
Alarm permits	28,790	-	28,790
Note receivable	-	875,000	875,000
<b>Total</b>	<b>\$ 1,761,793</b>	<b>\$ 1,099,306</b>	<b>\$ 2,861,099</b>

- 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. These outflows are included in the deferred amounts for post-employment benefits on the statement of net position.

**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.

**Other Post-Employment Benefits**

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

**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:

**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)**

- **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.
- **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.

**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)**

**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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the other postemployment benefits (OPEB) that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, Omnibus 2017. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

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

**Note 2. Cash and Investments**

The City's investments at September 30, 2018, are as follows:

	Cash on Hand and Deposits	Local Government Investment Pools	Money Market & Insured Cash Sweep	Certificates of Deposit	Total
<b>Governmental Activities:</b>					
General Fund	\$ 11,658,718	\$ -	\$ -	\$ 12,100,000	\$ 23,758,718
Debt Service Fund	1,794,751	180,202	2,043,723	-	4,018,676
Street Improvement Fund	1,623,203	3,581,926	-	2,000,000	7,205,129
Aggregate Remaining	4,259,128	4,969,760	-	2,850,000	12,078,888
<b>Total Governmental Activities</b>	<u>19,335,800</u>	<u>8,731,888</u>	<u>2,043,723</u>	<u>16,950,000</u>	<u>47,061,411</u>
<b>Business-type Activities:</b>					
Public Utility	5,974,741	2,742,104	-	9,100,000	17,816,845
Drainage	2,125,507	51,210	-	1,050,000	3,226,717
Sanitation	1,521,059	-	-	350,000	1,871,059
<b>Total Business-type Activities</b>	<u>9,621,307</u>	<u>2,793,314</u>	<u>-</u>	<u>10,500,000</u>	<u>22,914,621</u>
<b>Fiduciary Funds:</b>					
Southwest Regional Communications Center	1,828,683	-	-	100,000	1,928,683
<b>Total Primary Government</b>	<u>30,785,790</u>	<u>11,525,202</u>	<u>2,043,723</u>	<u>27,550,000</u>	<u>71,904,715</u>
<b>Component Units:</b>					
Desoto Parks Development Corporation	563,186	8,244	-	-	571,430
Desoto Economic Development Corporation	2,488,945	-	-	750,000	3,238,945
<b>Total Component Units</b>	<u>3,052,131</u>	<u>8,244</u>	<u>-</u>	<u>750,000</u>	<u>3,810,375</u>
<b>Total</b>	<u>\$ 33,837,921</u>	<u>\$ 11,533,446</u>	<u>\$ 2,043,723</u>	<u>\$ 28,300,000</u>	<u>\$ 75,715,090</u>

As of September 30, 2018, 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, 2018, 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, 2018:

	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Percentage of Investments</u>
<b>Investment Type:</b>			
Local Government Investment Pools:			
TexPool	\$ 223,796	AAAm	0.53%
Texas CLASS	11,309,650	AAAm	27.01%
<b>Total Local Government Investment Pools</b>	<u>11,533,446</u>		<u>27.54%</u>
<b>Investment Securities:</b>			
Certificates of Deposit	28,300,000	N/A	67.58%
Money Market & Insured Cash Sweep	2,043,723	N/A	4.88%
<b>Total Investment Securities</b>	<u>30,343,723</u>		<u>72.46%</u>
	<u>\$ 41,877,169</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:

	<b>Fair Market Value</b>	<b>Weighted Average Maturity (Days)</b>	<b>Percentage of Investments</b>
<b>Governmental Activities:</b>			
Certificates of deposit	\$ 16,950,000	348	40.48%
<b>Investments:</b>			
Local Government Investment Pools:			
TexPool	215,552	28	0.51%
Texas CLASS	8,516,336	52	20.34%
<b>Total Local Government Investment Pools</b>	<b>8,731,888</b>		<b>20.85%</b>
<b>Investment Securities:</b>			
Money Market & Insured Cash Sweep	2,043,723	1	4.88%
<b>Total Investment Securities</b>	<b>2,043,723</b>		<b>4.88%</b>
<b>Total Governmental Activities</b>	<b>27,725,611</b>	<b>229</b>	<b>66.21%</b>
<b>Business-type Activities:</b>			
Certificates of deposit	10,500,000	318	25.07%
<b>Investments:</b>			
Local Government Investment Pools:			
Texas CLASS	2,793,314	52	6.67%
<b>Total Local Government Investment Pools</b>	<b>2,793,314</b>		<b>6.67%</b>
<b>Total Business-type Activities</b>	<b>13,293,314</b>	<b>262</b>	<b>31.74%</b>
<b>Fiduciary Funds:</b>			
Certificates of deposit	100,000	45	0.24%
<b>Investments:</b>			
<b>Component Units:</b>			
Certificates of deposit	750,000	273	1.79%
<b>Investments:</b>			
Local Government Investment Pools:			
TexPool	8,244	28	0.02%
<b>Total Local Government Investment Pools</b>	<b>8,244</b>		<b>0.02%</b>
<b>Total Component Units Funds</b>	<b>758,244</b>	<b>270</b>	<b>1.81%</b>
<b>Total</b>	<b>\$ 41,877,169</b>	<b>240</b>	<b>100.00%</b>

**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, 2018. The City reported bank deposits in the amount of \$32,305,585 and the book balances totaled \$33,837,921 at September 30, 2018.

As of September 30, 2018, 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**

Accounts receivables at September 30, 2018, for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Major Funds</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Street Improvement</u>	<u>Nonmajor Governmental</u>	
<b>Receivables:</b>					
Property taxes	\$ 647,585	\$ 264,987	\$ -	\$ -	\$ 912,572
Sales tax	1,755,063	-	-	-	1,755,063
Hotel occupancy tax	-	-	-	134,154	134,154
Due from other governments	87,586	-	-	46,988	134,574
Court fines	6,327,577	-	-	-	6,327,577
Ambulance	7,036,932	-	-	-	7,036,932
Franchise fees	855,245	-	-	-	855,245
Alarm permits	173,908	-	-	-	173,908
Other	631,393	-	-	1,270	632,663
Gross receivables	17,515,289	264,987	-	182,412	17,962,688
Less: allowance for uncollectibles	(12,389,691)	(26,402)	-	-	(12,416,093)
<b>Net total receivables</b>	<u>\$ 5,125,598</u>	<u>\$ 238,585</u>	<u>\$ -</u>	<u>\$ 182,412</u>	<u>\$ 5,546,595</u>

	<u>Proprietary Funds</u>			
	<u>Public Utility</u>	<u>Drainage</u>	<u>Sanitation</u>	<u>Total</u>
Customer accounts	\$ 2,881,674	\$ 164,318	\$ 563,800	\$ 3,609,792
Other	340	-	113	453
Gross receivables	2,882,014	164,318	563,913	3,610,245
Less allowance for uncollectibles	(33,564)	(2,326)	(4,509)	(40,399)
<b>Total</b>	<u>\$ 2,848,450</u>	<u>\$ 161,992</u>	<u>\$ 559,404</u>	<u>\$ 3,569,846</u>

Notes receivable at September 30, 2018, for the City's governmental activities are as follows:

	<u>2018</u>
DeSoto Economic Development Corporation	\$ 320,000
DeSoto Park Development Corporation	555,000
<b>Total notes receivable</b>	<u>\$ 875,000</u>

See note 5 for discretely presented component units' terms of long-term debt.

**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, 2018, is as follows:

<b>Governmental activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 5,604,290	\$ 1,736,985	\$ -	\$ 7,341,275
Street/Alley ROW	14,072,949	-	-	14,072,949
Construction in progress	10,132,625	3,792,044	(5,801,421)	8,123,248
<b>Total capital assets, not being depreciated</b>	<b>29,809,864</b>	<b>5,529,029</b>	<b>(5,801,421)</b>	<b>29,537,472</b>
<b>Capital assets, being depreciated:</b>				
Buildings	38,408,995	790,771	1,243,897	40,443,663
Infrastructure	169,138,127	210,544	4,557,524	173,906,195
Equipment and furniture	15,230,509	936,983	(329,394)	15,838,098
<b>Total capital assets, being depreciated</b>	<b>222,777,631</b>	<b>1,938,298</b>	<b>5,472,027</b>	<b>230,187,956</b>
<b>Less accumulated depreciation for:</b>				
Buildings	15,255,967	1,020,214	-	16,276,181
Infrastructure	92,284,653	6,332,488	-	98,617,141
Equipment and furniture	11,712,864	1,045,534	(329,394)	12,429,004
<b>Total accumulated depreciation</b>	<b>119,253,484</b>	<b>8,398,236</b>	<b>(329,394)</b>	<b>127,322,326</b>
Total capital assets - being depreciated	103,524,147	(6,459,938)	5,801,421	102,865,630
<b>Governmental capital assets, net</b>	<b>\$ 133,334,011</b>	<b>\$ (930,909)</b>	<b>\$ -</b>	<b>\$ 132,403,102</b>
<b>Business-type activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 1,244,443	\$ -	\$ -	\$ 1,244,443
Construction in progress	2,362,569	1,450,621	-	3,813,190
<b>Total capital assets, not being depreciated</b>	<b>3,607,012</b>	<b>1,450,621</b>	<b>-</b>	<b>5,057,633</b>
<b>Capital assets, being depreciated:</b>				
Water and sewer system	87,264,881	921,754	-	88,186,635
Drainage system	13,338,414	-	-	13,338,414
Improvements	15,075,500	-	-	15,075,500
Equipment and furniture	2,158,325	350,200	-	2,508,525
<b>Total capital assets, being depreciated</b>	<b>117,837,120</b>	<b>1,271,954</b>	<b>-</b>	<b>119,109,074</b>
<b>Less accumulated depreciation for:</b>				
Water and sewer system	46,128,278	2,058,960	-	48,187,238
Drainage system	5,006,498	530,543	-	5,537,041
Improvements	8,760,271	353,392	-	9,113,663
Equipment and furniture	1,342,048	198,435	-	1,540,483
<b>Total accumulated depreciation</b>	<b>61,237,095</b>	<b>3,141,330</b>	<b>-</b>	<b>64,378,425</b>
Total capital assets - being depreciated	56,600,025	(1,869,376)	-	54,730,649
<b>Business-type capital assets, net</b>	<b>\$ 60,207,037</b>	<b>\$ (418,755)</b>	<b>\$ -</b>	<b>\$ 59,788,282</b>

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

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

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

<b>DeSoto Park Development Corporation:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Ending Balance</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 11,250	\$ -	\$ -	\$ 11,250
<b>Total capital assets, not being depreciated</b>	<b>11,250</b>	<b>-</b>	<b>-</b>	<b>11,250</b>
<b>Capital assets, being depreciated:</b>				
Improvements	5,324,530	-	-	5,324,530
<b>Total capital assets, being depreciated</b>	<b>5,324,530</b>	<b>-</b>	<b>-</b>	<b>5,324,530</b>
<b>Less accumulated depreciation for:</b>				
Improvements	3,326,256	149,752	-	3,476,008
<b>Total accumulated depreciation</b>	<b>3,326,256</b>	<b>149,752</b>	<b>-</b>	<b>3,476,008</b>
Total capital assets - being depreciated	1,998,274	(149,752)	-	1,848,522
<b>DeSoto Park Development Corporation capital assets, net</b>	<b>\$ 2,009,524</b>	<b>\$ (149,752)</b>	<b>\$ -</b>	<b>\$ 1,859,772</b>
<b>DeSoto Economic Development Corporation:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Ending Balance</b>
<b>Capital assets, being depreciated:</b>				
Furniture and equipment	\$ 69,879	\$ -	\$ -	\$ 69,879
<b>Total capital assets, being depreciated</b>	<b>69,879</b>	<b>-</b>	<b>-</b>	<b>69,879</b>
<b>Less accumulated depreciation for:</b>				
Furniture and equipment	69,879	-	-	69,879
<b>Total accumulated depreciation</b>	<b>69,879</b>	<b>-</b>	<b>-</b>	<b>69,879</b>
Total capital assets - being depreciated	-	-	-	-
<b>DeSoto Economic Development Corporation capital assets, net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

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

**Depreciation**

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

	<b>Depreciation Expense</b>
<b>Primary government</b>	
<b>Governmental activities:</b>	
General government	\$ 379,171
Public safety	969,179
Development services	5,946,786
Parks and recreation	928,320
Library services	19,563
Financial services	36,763
Information technology	118,454
<b>Total Governmental activities</b>	<b>8,398,236</b>
 <b>Business-type activities:</b>	
Water and sewer	2,410,719
Drainage	656,508
Sanitation	74,103
<b>Total Business-type activities:</b>	<b>3,141,330</b>
 <b>Total primary government</b>	 <b>\$ 11,539,566</b>

**Construction commitments**

The City has active construction projects as of September 30, 2018. At year end, the City's commitments with contractors were as follows:

<b>Projects</b>	<b>Construction Commitment</b>	<b>Construction in Progress</b>	<b>Remaining Commitment</b>
Street improvements	\$ 10,163,183	\$ 8,123,248	\$ 2,039,935
Drainage	397,683	357,523	40,160
Water and sewer	3,901,055	3,455,667	445,388
<b>Total Commitments</b>	<b>\$ 14,461,921</b>	<b>\$ 11,936,438</b>	<b>\$ 2,525,483</b>

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

**Note 5. Long-term Liabilities**

Changes in the City's long-term liability activity for the year ended September 30, 2018, are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Primary Government</b>					
<b>Governmental activities:</b>					
General obligation bonds	\$ 49,833,256	\$ -	\$ (4,366,800)	\$ 45,466,456	\$ 4,906,456
Certificates of obligation	8,795,000	-	(1,060,000)	7,735,000	335,000
Bond premium	5,844,173	-	(482,928)	5,361,245	-
Capital leases	1,539,718	-	(217,853)	1,321,865	224,391
Compensated absences	4,613,704	1,301,401	(1,734,051)	4,181,054	1,045,264
<b>Governmental activity</b>					
<b>Long-term liabilities</b>	<u>\$ 70,625,851</u>	<u>\$ 1,301,401</u>	<u>\$ (7,861,632)</u>	<u>\$ 64,065,620</u>	<u>\$ 6,511,111</u>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 4,811,744	\$ -	\$ (303,200)	4,508,544	\$ 483,544
Certificates of obligation	10,305,000	-	(725,000)	9,580,000	560,000
Bond premium	783,267	-	(63,518)	719,749	-
Compensated absences	360,448	152,007	(123,181)	389,274	97,319
<b>Business-type activity</b>					
<b>Long-term liabilities</b>	<u>\$ 16,260,459</u>	<u>\$ 152,007</u>	<u>\$ (1,214,899)</u>	<u>\$ 15,197,567</u>	<u>\$ 1,140,863</u>

Changes in the discretely presented component units' long-term liabilities for the year ended September 30, 2018, are as follows:

<b>DeSoto Park Development Corporation</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue refunding bonds	\$ 980,000	\$ -	\$ (180,000)	\$ 800,000	\$ 185,000
Note payable	765,000	-	(210,000)	555,000	225,000
<b>Total</b>	<u>\$ 1,745,000</u>	<u>\$ -</u>	<u>\$ (390,000)</u>	<u>\$ 1,355,000</u>	<u>\$ 410,000</u>
<b>DeSoto Economic Development Corporation</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue refunding bonds	\$ 1,630,000	\$ -	\$ (205,000)	\$ 1,425,000	\$ 215,000
Premium on bond issuance	26,025	-	(3,717)	22,308	-
Compensated absences		25,367	(8,980)	16,387	-
Note payable	335,000	-	(15,000)	320,000	20,000
<b>Total</b>	<u>\$ 1,991,025</u>	<u>\$ 25,367</u>	<u>\$ (232,697)</u>	<u>\$ 1,783,695</u>	<u>\$ 235,000</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, 2018, consist of the following individual issues:

<u>General Obligation Bonds:</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>	<u>Outstanding 09/30/18</u>
2009 General Obligation & Refunding	3.0 - 4.5%	2/15/29	\$ 1,651,456
2011 Refunding	2.0 - 4.0%	2/15/31	935,000
2012 Refunding	3.0 - 5.0%	2/15/25	12,510,000
2013 Refunding	2.0 - 4.0%	2/15/25	4,745,000
2015 General Obligation	2.5 - 4.0%	2/15/30	3,190,000
2016 Refunding	2.0% - 3.0%	2/15/36	5,725,000
2016 Refunding (Taxable)	2.25% - 4.0%	2/15/36	1,800,000
2017 Refunding	2.0% - 4.0%	2/15/37	14,910,000
Total general obligation bonds			<u>45,466,456</u>
<u>Certificates of Obligation:</u>			
2011A Tax and Revenue	4.75- 5.75%	2/15/31	725,000
2011B Tax and Revenue	2.0%	2/15/31	755,000
2015 Tax and Revenue	2.5% - 3.5%	2/15/30	2,025,000
2016 Tax and Revenue	2.5% - 4.0%	2/15/36	910,000
2017 Tax and Revenue	2.0% - 4.0%	2/15/37	3,320,000
Total certificates of obligation			<u>7,735,000</u>
Total bonds and certificates payable			<u>\$ 53,201,456</u>

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

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

**Business-Type Activities**

General obligation bonds and certificates of obligation for Business-Type Activities outstanding at September 30, 2018, consist of the following individual issues:

<b>General Obligation Bonds:</b>	<b>Interest Rates</b>	<b>Final Maturity Date</b>	<b>Outstanding 09/30/18</b>
2009 Refunding Bonds	3.0 - 4.5%	2/15/29	\$ 8,544
2012 Refunding Bonds	3.0 - 5.0%	2/15/25	1,345,000
2013 Refunding Bonds	2.0 - 4.0%	2/15/25	350,000
2016 Refunding Bonds	2.0% - 3.0%	2/15/26	515,000
2017 Refunding Bonds	2.0% - 4.0%	2/15/37	2,290,000
Total general obligation bonds			<u>4,508,544</u>
<b>Certificates of Obligation:</b>			
2010 Tax and Revenue	2.0 - 4.3%	2/15/30	3,400,000
2011B Tax and Revenue	2.0 - 4.0%	2/15/31	2,170,000
2013 Tax and Revenue	2.0 - 3.5%	2/15/33	3,090,000
2017 Tax and Revenue	2.0% - 4.0%	2/15/2037	920,000
Total certificates of obligation			<u>9,580,000</u>
Total bonds and certificates			<u>\$ 14,088,544</u>

**Component Units**

Revenue bonds and notes payable for Component Units outstanding at September 30, 2018, consist of the following individual issues:

<b>DeSoto Park Development Corporation</b>	<b>Interest Rates</b>	<b>Final Maturity Date</b>	<b>Outstanding 09/30/18</b>
Bonds:			
2011 Revenue Refunding Bonds	2.0 - 4.0%	2/15/22	\$ 800,000
Notes Payable:			
City of DeSoto -2009 GOs	3.0 - 4.5%	2/15/29	140,000
City of DeSoto - 2012 GOs	3.0 - 5.0%	2/15/25	415,000
Total bonds and notes payable			<u>\$ 1,355,000</u>

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

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

**Component Units (continued)**

<b>DeSoto Economic Development Corporation</b>	<b>Interest Rates</b>	<b>Final Maturity Date</b>	<b>Outstanding 09/30/18</b>
Bonds:			
2011 Revenue Refunding Bonds	2.0 - 4.0%	2/15/24	\$ 1,425,000
Notes Payable:			
City of DeSoto - 2011A COs	4.75 - 5.75%	2/15/31	320,000
Total bonds and notes payable			<u>\$ 1,745,000</u>

**Amortization Schedules**

The annual requirements to amortize long term debt as of September 30, 2018, are as follows:

**General Obligation Bonds**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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	4,880,000	932,350	525,000	94,025
2024-2028	16,520,000	1,973,356	1,670,000	205,850
2029-2033	2,695,000	380,513	260,000	5,200
2034-2038	1,310,000	86,056	-	-
	<u>\$ 45,466,456</u>	<u>\$ 9,184,442</u>	<u>\$ 4,508,544</u>	<u>\$ 895,696</u>

**Certificates of Obligation**

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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	465,000	223,131	645,000	262,231
2024-2028	2,575,000	866,944	3,580,000	927,241
2029-2033	2,125,000	398,331	2,760,000	251,156
2034-2038	1,185,000	90,475	250,000	20,400
	<u>\$ 7,735,000</u>	<u>\$ 2,593,694</u>	<u>\$ 9,580,000</u>	<u>\$ 2,724,416</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>
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	-	-	20,000	12,825
2024-2028	-	-	125,000	45,883
2029-2033	-	-	95,000	8,481
	<u>\$ 555,000</u>	<u>\$ 46,250</u>	<u>\$ 320,000</u>	<u>\$ 128,539</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>
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	-	-	250,000	15,400
2024-2028	-	-	260,000	5,200
	<u>\$ 800,000</u>	<u>\$ 66,000</u>	<u>\$ 1,425,000</u>	<u>\$ 176,763</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, 2018, the City had no defeased debt 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 \$1,009,192, with a carrying value of \$1,151,176 as of September 30, 2018.

**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, 2018:

Fiscal Year	Amount
2019	\$ 259,143
2020	199,713
2021	199,713
2022	199,713
2023	199,713
2024-2028	399,426
Minimum lease payments	1,457,421
Less amount representing interest	(135,556)
Total	\$ 1,321,865

**Note 6. Interfund Balances and Transfers**

**Due to/from Other Funds**

There composition of interfund balances outstanding as of September 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Nonmajor Capital Project Funds Community Development Block	\$ 700,000	Advances for capital projects
General	Grant	42,116	Advances for expenditure driven grants
		\$ 742,116	

**Interfund Transfers**

The composition of interfund transfers for the year ended September 30, 2018, is as follows:

Transfer from	Transfer to	Amount	Purpose
General fund	Debt service	\$ 231,389	To fund debt service
	Nonmajor governmental	550,565	Public facilities capital improvement projects
	Street improvements	704,689	Street improvement projects
	Nonmajor governmental	30,000	Municipal courts
	Nonmajor governmental	1,000,000	City improvement projects
	Nonmajor governmental	6,452	Grant reimbursement
Debt service	General fund	26,300	Miscellaneous
Nonmajor governmental	General fund	67,703	Miscellaneous
	Debt service	102,049	To fund debt service
Public utility	General	2,123,808	PILOT, franchise fees, energy management grant, and maintenance and equipment
		\$ 4,842,955	

**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 883 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](http://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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	223
Inactive employees entitled to but not yet receiving benefits	214
Active employees	<u>349</u>
	786

**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 11.34% and 11.39% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$2,547,550, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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, 2017, 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 2018 are summarized in the following table:

	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.55%
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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at 12/31/2016	\$ 111,584,723	\$ 102,740,237	\$ 8,844,486
Changes for the year			
Service Cost	3,635,681	-	3,635,681
Interest (on the Total Pension Liability)	7,474,629	-	7,474,629
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(366,786)	-	(366,786)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(5,327,389)	(5,327,389)	-
Contributions – employer	-	2,483,717	(2,483,717)
Contributions – employee	-	1,553,710	(1,553,710)
Net investment income	-	14,239,492	(14,239,492)
Administrative Expense	-	(73,795)	73,795
Other	-	(3,740)	3,740
Balance at 12/31/2017	<u>\$ 117,000,858</u>	<u>\$ 115,612,232</u>	<u>\$ 1,388,626</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>City of DeSoto</u>
1% Decrease (5.75%)	\$ 17,833,184
Current Single Rate (6.75%)	1,388,626
1% Increase (7.75%)	(12,114,099)

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2018, the City recognized a pension expense of \$2,660,825.

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

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

At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ -	\$ 985,084
Difference in change in assumptions	618,076	-
Net difference in projected and actual earnings on pension plan investments	-	2,899,987
Contributions subsequent to the measurement date	1,928,203	-
Total	\$ 2,546,279	\$ 3,885,071

\$1,928,203 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Net deferred outflows (inflows) of resources</b>
2019	\$ 3,217
2020	(193,760)
2021	(1,576,248)
2022	(1,500,204)
Total	\$ (3,266,995)

**Note 8. Other Post-Employment Benefits**

**TMRS Supplemental Death Benefits Plan**

*Benefit Plan Description*

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

**Note 8. Other Post-Employment Benefits (continued)**

The member 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.

Membership in the plan as of the measurement date of December 31, 2017 was as follows:

Inactive employees or beneficiaries currently receiving benefits	159
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>349</u>
	548

*Contributions*

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.16% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

*Discount Rate*

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary has estimated the TOL as of December 31, 2016 using a discount rate of 3.78% as of December 31, 2016.

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

**Note 8. Other Post-Employment Benefits (continued)**

*Actuarial Assumptions*

The City's Total OPEB Liability ("TOL") was measured at December 31, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 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	Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.
Retirement Age	Last updated for the 2015 valuation to an experience study for 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.

*Changes in Total OPEB Liability*

<b>Total OPEB Liability</b>	<b>2017</b>
Service cost	\$ 44,392
Interest on total OPEB liability	32,369
Effect of assumptions changes or inputs	80,007
Benefit payments	<u>(6,659)</u>
Net Changes in Total OPEB Liability	150,109
Beginning Balance	<u>837,461</u>
Total OPEB Liability - Ending	<u><u>\$ 987,570</u></u>

*Sensitivity Analysis*

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

<b>1% Decrease</b>	<b>Current Single Rate Assumption</b>	<b>1% Increase</b>
<b>2.31%</b>	<b>3.31%</b>	<b>4.31%</b>
<u>\$1,193,393</u>	<u>\$987,570</u>	<u>\$828,080</u>

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

**Note 8. Other Post-Employment Benefits (continued)**

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity*

For the year ended September 30, 2018, the City recognized OPEB expense of \$89,877 relating to the SDBF plan.

As of September 30, 2018, the City reported deferred outflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>
Difference in assumption changes	\$ 66,891
Employer contributions made after the measurement date	5,151
Total	\$ 72,042

The \$5,151 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2019.

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

<b>Fiscal Year</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2019	\$ 13,116
2020	13,116
2021	13,116
2022	13,116
2023	13,116
Thereafter	1,311
Total	\$ 66,891

**Health Insurance**

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

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

**Note 9. Deferred Compensation Plan**

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

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

**Note 10. Commitments and Contingencies**

**Trinity River Authority of Texas**

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

Total payments made by the City under the contract amounted to \$6,579,090 for 2018. 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 2018, the City purchased commercial insurance to cover these general liabilities from the Texas Municipal League Risk Pool ("TML"). The City pays an annual premium to TML for such coverage. TML purchases reinsurance and the City does not retain the risk of losses. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

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

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

**DEDC**

As of September 30, 2018, the DEDC had approved several grants totaling approximately \$11,144,460 payable in subsequent years, to certain businesses in the City. The payments of the grants are contingent on the businesses remaining in the City.

DEDC grant commitments are scheduled as follows:

Fiscal Year	Amount
2019	\$ 798,110
2020	295,610
2021	295,610
2022	295,610
2023	295,610
2024-2028	1,478,050
2029-2033	1,478,050
2034-2038	1,478,050
2039-2043	1,478,050
2044-2048	1,478,050
2049-2053	1,478,050
2054	295,610
Total	\$ 11,144,460

**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.

**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 2018, the City contributed \$671,637 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, 2018, is \$509,010. 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 2018, the City contributed \$260,256 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, 2018, is \$482,733. 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.

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

**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%	\$ 2,434,616
E- fulfillment Distribution Center operations generates sales tax revenue	90%	\$ 839,770
Warehouse and Distribution Center leases property and generates business personal property tax revenue	100%	\$ 135,141

**Note 12. Prior Period Adjustment**

In the current fiscal year, the City implemented the following new accounting standards:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The following is the prior period adjustment related to GASB Statement No. 75:

	<u>Major Funds</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Public Utility</u>
Beginning Net Position (as previously reported)	\$ 110,940,542	\$ 66,800,673	\$ 53,117,982
Change in accounting principles			
Beginning Net OPEB Liability	(778,861)	(58,600)	(58,600)
OPEB contributions made after previous measurement date	4,699	300	300
	<u>(774,162)</u>	<u>(58,300)</u>	<u>(58,300)</u>
<b>Beginning Net Position (as restated)</b>	<u><u>\$ 110,166,380</u></u>	<u><u>\$ 66,742,373</u></u>	<u><u>\$ 53,059,682</u></u>

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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, 2018*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual GAAP Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 19,214,734	\$ 19,214,734	\$ 19,514,552	\$ 299,818
Sales taxes	7,085,000	7,160,000	8,334,059	1,174,059
Franchise fees and other	2,901,000	2,901,000	3,189,413	288,413
Fines and forfeitures	1,284,000	1,284,000	1,450,464	166,464
Licenses and permits	929,150	1,318,150	1,395,670	77,520
Intergovernmental	466,550	546,251	407,137	(139,114)
Charges for services	2,030,200	2,100,200	2,090,732	(9,468)
Investment earnings	57,813	182,813	329,193	146,380
Recreation services	622,050	672,050	723,686	51,636
Miscellaneous	200,930	385,930	514,348	128,418
<b>Total Revenues</b>	<u>34,791,427</u>	<u>35,765,128</u>	<u>37,949,254</u>	<u>2,184,126</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	2,015,432	2,053,312	1,140,929	912,383
Public safety:				
Police	9,603,142	9,643,198	8,825,012	818,186
Fire	8,074,651	8,134,014	8,048,167	85,847
Development services	5,322,097	5,413,127	4,710,419	702,708
Financial services	1,358,506	1,367,853	508,146	859,707
Municipal court	590,337	580,337	555,153	25,184
Information technology	1,442,726	1,444,626	1,053,838	390,788
Human resources	664,180	724,080	533,957	190,123
Parks and recreation	3,471,650	3,469,067	3,287,841	181,226
Library services	1,115,241	1,134,720	1,042,710	92,010
Non-departmental	2,437,687	3,642,322	3,549,840	92,482
<b>Debt service:</b>				
Principal	106,953	106,953	54,578	52,375
Interest and other charges	5,478	5,478	4,852	626
<b>Capital outlay</b>	<u>1,755,315</u>	<u>3,588,269</u>	<u>3,212,450</u>	<u>375,819</u>
<b>Total Expenditures</b>	<u>37,963,395</u>	<u>41,307,356</u>	<u>36,527,892</u>	<u>4,779,464</u>
Excess (deficiency) of revenues over expenditures	<u>(3,171,968)</u>	<u>(5,542,228)</u>	<u>1,421,362</u>	<u>6,963,590</u>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	45,000	45,000	46,300	1,300
Transfers in	4,195,074	4,233,077	2,217,811	(2,015,266)
Transfers out	(2,305,530)	(2,531,095)	(2,523,095)	8,000
<b>Total Other Financing Sources (Uses)</b>	<u>1,934,544</u>	<u>1,746,982</u>	<u>(258,984)</u>	<u>(2,005,966)</u>
Net change in fund balances	(1,237,424)	(3,795,246)	1,162,378	4,957,624
<b>Fund balances - beginning</b>	<u>23,695,494</u>	<u>23,695,494</u>	<u>23,695,494</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 22,458,070</u>	<u>\$ 19,900,248</u>	<u>\$ 24,857,872</u>	<u>\$ 4,957,624</u>

**CITY OF DESOTO, TEXAS**  
**NOTES TO BUDGETARY SCHEDULE**  
*September 30, 2018*

**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 2018.
- 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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. Total pension liability				
1. Service Cost	\$ 3,635,681	\$ 3,465,471	\$ 3,177,007	\$ 2,763,679
2. Interest (on the Total Pension Liability)	7,474,629	7,110,831	6,960,684	6,674,548
3. Changes of benefit terms	-	-	-	(4,591,077)
4. Difference between expected and actual experience	(366,786)	(292,389)	(1,294,146)	(710,026)
5. Changes of assumptions	-	-	1,862,527	-
6. Benefit payments, including refunds of employee contributions	<u>(5,327,389)</u>	<u>(4,624,192)</u>	<u>(5,261,823)</u>	<u>(4,432,593)</u>
7. Net change in total pension liability	5,416,135	5,659,721	5,444,249	(295,469)
8. Total pension liability – beginning	<u>111,584,723</u>	<u>105,925,002</u>	<u>100,480,753</u>	<u>100,776,222</u>
9. Total pension liability – ending	<u>117,000,858</u>	<u>111,584,723</u>	<u>105,925,002</u>	<u>100,480,753</u>
B. Plan fiduciary net position				
1. Contributions – employer	2,483,717	2,198,752	2,208,445	2,324,637
2. Contributions – employee	1,553,710	1,482,781	1,420,874	1,388,154
3. Net investment income	14,239,492	6,568,321	145,745	5,386,759
4. Benefit payments, including refunds of employee contributions	(5,327,389)	(4,624,192)	(5,261,823)	(4,432,593)
5. Administrative Expense	(73,795)	(74,183)	(88,773)	(56,242)
6. Other	<u>(3,740)</u>	<u>(3,997)</u>	<u>(4,385)</u>	<u>(4,624)</u>
7. Net change in plan fiduciary net position	12,871,995	5,547,482	(1,579,917)	4,606,091
8. Plan fiduciary net position – beginning	<u>102,740,237</u>	<u>97,192,755</u>	<u>98,772,672</u>	<u>94,166,581</u>
9. Plan fiduciary net position – ending	<u>115,612,232</u>	<u>102,740,237</u>	<u>97,192,755</u>	<u>98,772,672</u>
C. Net pension liability [A.9 – B.9]	<u>\$ 1,388,626</u>	<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	99%	92%	92%	98%
E. Plan's net pension liability as a percentage of covered payroll	6%	42%	43%	9%
F. Plan's covered payroll (measurement year)	\$ 22,195,857	\$ 21,182,583	\$ 20,248,609	\$ 19,817,910
Primary Government's proportional share				
Primary Government's proportion of the net pension liability	100.0%	91.5%	91.5%	90.2%
Primary Government's proportionate share of the net pension liability	<u>1,388,626</u>	<u>8,090,686</u>	<u>\$ 7,988,247</u>	<u>\$ 1,540,781</u>
Primary Government's covered payroll (measurement year)	\$ 22,195,857	\$ 19,377,229	\$ 18,523,398	\$ 17,876,822
Primary Government's proportionate share of the net pension liability as a percentage of covered payroll	6%	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 Eight Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially required contributions	\$ 2,547,550	\$ 2,402,016	\$ 2,278,194	\$ 2,245,773	\$ 2,332,905
Contributions in relation to the actuarially required contributions	<u>2,547,550</u>	<u>2,402,016</u>	<u>2,278,194</u>	<u>2,245,773</u>	<u>2,332,905</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered payroll	\$ 22,704,936	\$ 21,840,500	\$ 21,674,821	\$ 20,202,038	\$ 19,678,012
Contributions as a percentage of covered payroll	11.2%	11.0%	10.5%	11.1%	11.9%
	<u>2013</u>	<u>2012</u>	<u>2011</u>		
Actuarially required contributions	\$ 2,284,542	\$ 2,381,834	\$ 2,785,993		
Contributions in relation to the actuarially required contributions	<u>2,284,542</u>	<u>2,381,834</u>	<u>2,785,993</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
City's covered payroll	\$ 19,145,770	\$ 18,402,485	\$ 18,354,272		
Contributions as a percentage of covered payroll	11.9%	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	28 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.

**CITY OF DESOTO, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND  
 RELATED RATIOS  
 Last Measurement Year**

<b>Total OPEB Liability</b>	<b>2017</b>
Service cost	\$ 44,392
Interest on total OPEB liability	32,369
Effect of assumptions changes or inputs	80,007
Benefit payments	<u>(6,659)</u>
Net Changes in Total OPEB Liability	150,109
Beginning Balance	<u>837,461</u>
Total OPEB Liability - Ending	<u><u>\$ 987,570</u></u>
Covered Payroll	\$ 22,704,936
Total OPEB Liability as a Percentage of Covered Payroll	4%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75. Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

Note: No assets are accumulated in a trust that meets criteria in paragraph 4 for GASB Statement No. 75 to pay related benefits.

# 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, 2018*

	<b>Special Revenue Funds</b>			
	<b>Regional Jail</b>	<b>Municipal Court</b>	<b>Police Seized Assets</b>	<b>Police Grants</b>
<b>Assets</b>				
Cash and investments	\$ 425,573	\$ 233,710	\$ 553,707	\$ 32,530
Receivables, net:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Accounts	-	-	-	-
Prepaid items	-	-	3,003	-
<b>Total Assets</b>	<b>\$ 425,573</b>	<b>\$ 233,710</b>	<b>\$ 556,710</b>	<b>\$ 32,530</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,606	\$ 244	\$ 12,136	\$ 231
Accrued liabilities	24,928	1,186	-	1,560
Due to other funds	-	-	-	-
Unearned revenues	-	-	6,025	-
<b>Total Liabilities</b>	<b>29,534</b>	<b>1,430</b>	<b>18,161</b>	<b>1,791</b>
<b>Fund Balances:</b>				
<b>    Nonspendable:</b>				
Inventories and prepaid items	-	-	3,003	-
<b>    Restricted:</b>				
Public safety	396,039	232,280	535,546	30,739
Economic development	-	-	-	-
Capital projects				
<b>    Committed:</b>				
Public health	-	-	-	-
Development	-	-	-	-
<b>Total Fund Balances</b>	<b>396,039</b>	<b>232,280</b>	<b>538,549</b>	<b>30,739</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 425,573</b>	<b>\$ 233,710</b>	<b>\$ 556,710</b>	<b>\$ 32,530</b>

**Special Revenue Funds**

<b>Homeland Security Grant</b>	<b>Hotel Occupancy Tax</b>	<b>Health Facilities Development Corporation</b>	<b>Housing Finance Corporation</b>	<b>Industrial Development Authority</b>	<b>Community Development Block Grant</b>
\$ 1,540	\$ 1,537,083	\$ 18,752	\$ 159,329	\$ 29,671	\$ -
-	134,154	-	-	-	-
-	-	-	-	-	46,988
-	1,270	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,540</u>	<u>\$ 1,672,507</u>	<u>\$ 18,752</u>	<u>\$ 159,329</u>	<u>\$ 29,671</u>	<u>\$ 46,988</u>
\$ -	\$ 144,937	\$ -	\$ -	\$ -	\$ 468
-	-	-	-	-	-
-	-	-	-	-	42,116
-	1,324	-	-	-	-
-	146,261	-	-	-	42,584
-	-	-	-	-	-
-	-	-	-	-	-
-	1,526,246	-	-	-	-
1,540	-	18,752	-	-	-
-	-	-	159,329	29,671	4,404
<u>1,540</u>	<u>1,526,246</u>	<u>18,752</u>	<u>159,329</u>	<u>29,671</u>	<u>4,404</u>
<u>\$ 1,540</u>	<u>\$ 1,672,507</u>	<u>\$ 18,752</u>	<u>\$ 159,329</u>	<u>\$ 29,671</u>	<u>\$ 46,988</u>

*(continued)*

**CITY OF DESOTO, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2018**

	<b>Capital Projects Funds</b>			
	<b>Parks Capital Improvement</b>	<b>Public Facilities Capital Improvement</b>	<b>Fire Station Bond Project</b>	<b>Park Improvement</b>
<b>Assets</b>				
Cash and investments	\$ 110,464	\$ 830,278	\$ 4,691,203	\$ 1,455,048
Receivables, net:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Accounts	-	-	-	-
Prepaid items	-	-	-	-
<b>Total Assets</b>	<b>\$ 110,464</b>	<b>\$ 830,278</b>	<b>\$ 4,691,203</b>	<b>\$ 1,455,048</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 6,700	\$ 135,132	\$ 431,213	\$ 157,388
Accrued liabilities	-	-	-	-
Due to other funds	-	500,000	-	200,000
Unearned revenues	-	-	-	-
<b>Total Liabilities</b>	<b>6,700</b>	<b>635,132</b>	<b>431,213</b>	<b>357,388</b>
<b>Fund Balances:</b>				
<b>    Nonspendable:</b>				
Inventories and prepaid items	-	-	-	-
<b>    Restricted:</b>				
Public safety	-	-	-	-
Economic development	-	-	-	-
Capital projects	103,764	195,146	4,259,990	1,097,660
<b>    Committed:</b>				
Public health	-	-	-	-
Development	-	-	-	-
<b>Total Fund Balances</b>	<b>103,764</b>	<b>195,146</b>	<b>4,259,990</b>	<b>1,097,660</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 110,464</b>	<b>\$ 830,278</b>	<b>\$ 4,691,203</b>	<b>\$ 1,455,048</b>

**Capital Projects Funds**

<b>City Improvements</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 2,000,000	\$ 12,078,888
-	134,154
-	46,988
-	1,270
-	3,003
<u>\$ 2,000,000</u>	<u>\$ 12,264,303</u>
\$ -	\$ 893,055
-	27,674
-	742,116
-	7,349
<u>-</u>	<u>1,670,194</u>
-	3,003
-	1,194,604
-	1,526,246
2,000,000	7,656,560
-	20,292
-	193,404
<u>2,000,000</u>	<u>10,594,109</u>
<u>\$ 2,000,000</u>	<u>\$ 12,264,303</u>

**CITY OF DESOTO, TEXAS**

*COMBINING STATEMENT OF REVENUES, EXPENDITURES*

*AND CHANGES IN FUND BALANCES*

*NONMAJOR GOVERNMENTAL FUNDS*

*For the Year Ended September 30, 2018*

**Special Revenue Funds**

	<b>Regional Jail</b>	<b>Municipal Court</b>	<b>Police Seized Assets</b>	<b>Police Grants</b>
<b>Revenues</b>				
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	66,045	-	-
Intergovernmental	1,110,000	-	447,596	55,046
Charges for services	19,561	-	-	-
Investment earnings	2,258	241	5,600	-
Miscellaneous	729	-	25,661	-
<b>Total Revenues</b>	<u>1,132,548</u>	<u>66,286</u>	<u>478,857</u>	<u>55,046</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety:				
Police	1,079,967	-	246,353	82,038
Municipal court	-	84,875	-	-
Parks and recreation	-	-	-	-
Library services	-	-	-	-
Non-departmental	-	-	-	-
<b>Capital outlay</b>	-	-	51,047	-
<b>Total Expenditures</b>	<u>1,079,967</u>	<u>84,875</u>	<u>297,400</u>	<u>82,038</u>
Excess (deficiency) of revenues over expenditures	<u>52,581</u>	<u>(18,589)</u>	<u>181,457</u>	<u>(26,992)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	30,000	-	6,452
Transfers out	<u>(18,500)</u>	<u>(11,200)</u>	<u>(38,003)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(18,500)</u>	<u>18,800</u>	<u>(38,003)</u>	<u>6,452</u>
Net change in fund balances	34,081	211	143,454	(20,540)
<b>Fund balances - beginning</b>	<u>361,958</u>	<u>232,069</u>	<u>395,095</u>	<u>51,279</u>
<b>Fund balances - ending</b>	<u>\$ 396,039</u>	<u>\$ 232,280</u>	<u>\$ 538,549</u>	<u>\$ 30,739</u>

**Special Revenue Funds**

<b>Homeland Security Grant</b>	<b>Hotel Occupancy Tax</b>	<b>Health Facilities Development Corporation</b>	<b>Housing Finance Corporation</b>	<b>Industrial Development Authority</b>	<b>Community Development Block Grant</b>
\$ -	\$ 1,057,307	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	85,696
-	5,814	-	-	-	-
-	11,310	216	1,040	352	-
-	-	-	-	-	-
-	<u>1,074,431</u>	<u>216</u>	<u>1,040</u>	<u>352</u>	<u>85,696</u>
-	448,648	-	19,817	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	180,475	-	-	-	-
-	-	-	-	-	86,164
-	-	-	-	-	-
-	243,604	-	-	-	-
-	<u>872,727</u>	<u>-</u>	<u>19,817</u>	<u>-</u>	<u>86,164</u>
-	201,704	216	(18,777)	352	(468)
-	-	-	-	-	-
-	(102,049)	-	-	-	-
-	<u>(102,049)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	99,655	216	(18,777)	352	(468)
<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>\$ 1,526,246</u>	<u>\$ 18,752</u>	<u>\$ 159,329</u>	<u>\$ 29,671</u>	<u>\$ 4,404</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, 2018*

	<b>Capital Projects Funds</b>			
	<b>Parks Capital Improvement</b>	<b>Public Facilities Capital Improvement</b>	<b>Fire Station Bond Project</b>	<b>Park Improvement</b>
<b>Revenues</b>				
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	150,000	-	-
Charges for services	-	-	-	-
Investment earnings	198	14,629	83,182	26,912
Miscellaneous	36,940	-	-	-
<b>Total Revenues</b>	<u>37,138</u>	<u>164,629</u>	<u>83,182</u>	<u>26,912</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety:				
Police	-	-	-	-
Municipal court	-	-	-	-
Parks and recreation	22,500	-	-	-
Library services	-	-	-	-
Non-departmental	-	337,693	-	-
<b>Capital outlay</b>	<u>103,323</u>	<u>1,467,405</u>	<u>630,714</u>	<u>444,133</u>
<b>Total Expenditures</b>	<u>125,823</u>	<u>1,805,098</u>	<u>630,714</u>	<u>444,133</u>
Excess (deficiency) of revenues over expenditures	<u>(88,685)</u>	<u>(1,640,469)</u>	<u>(547,532)</u>	<u>(417,221)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	550,565	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>550,565</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(88,685)	(1,089,904)	(547,532)	(417,221)
<b>Fund balances - beginning</b>	<u>192,449</u>	<u>1,285,050</u>	<u>4,807,522</u>	<u>1,514,881</u>
<b>Fund balances - ending</b>	<u>\$ 103,764</u>	<u>\$ 195,146</u>	<u>\$ 4,259,990</u>	<u>\$ 1,097,660</u>

**Capital Projects Funds**

<b>City Improvements</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ 1,057,307
-	66,045
-	1,848,338
-	25,375
-	145,938
-	63,330
-	3,206,333
-	468,465
-	1,408,358
-	84,875
-	202,975
-	86,164
-	337,693
-	2,940,226
-	5,528,756
-	(2,322,423)
1,000,000	1,587,017
-	(169,752)
1,000,000	1,417,265
1,000,000	(905,158)
1,000,000	11,499,267
<u>\$ 2,000,000</u>	<u>\$ 10,594,109</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 7,507,500	\$ 7,603,279	\$ 95,779
Intergovernmental	358,407	342,649	(15,758)
Investment earnings	1,500	59,527	58,027
<b>Total Revenues</b>	<u>7,867,407</u>	<u>8,005,455</u>	<u>138,048</u>
<b>Expenditures</b>			
<b>Debt service:</b>			
Principal	5,590,075	5,590,075	-
Interest and other charges	2,337,769	2,332,305	5,464
<b>Total Expenditures</b>	<u>7,927,844</u>	<u>7,922,380</u>	<u>5,464</u>
Excess (deficiency) of revenues over expenditures	<u>(60,437)</u>	<u>83,075</u>	<u>143,512</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	333,438	333,438	-
Transfers out	(26,300)	(26,300)	-
<b>Total Other Financing Sources (Uses)</b>	<u>307,138</u>	<u>307,138</u>	<u>-</u>
Net change in fund balances	246,701	390,213	143,512
<b>Fund balances - beginning</b>	<u>3,641,392</u>	<u>3,641,392</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 3,888,093</u>	<u>\$ 4,031,605</u>	<u>\$ 143,512</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 1,110,000	\$ 1,110,000	\$ -
Charges for services	22,800	19,561	(3,239)
Investment earnings	450	2,258	1,808
Miscellaneous	480	729	249
<b>Total Revenues</b>	<u>1,133,730</u>	<u>1,132,548</u>	<u>(1,182)</u>
<b>Expenditures</b>			
<b>Current:</b>			
Public safety:			
Police	1,150,947	1,079,967	70,980
<b>Total Expenditures</b>	<u>1,150,947</u>	<u>1,079,967</u>	<u>70,980</u>
Excess (deficiency) of revenues over expenditures	<u>(17,217)</u>	<u>52,581</u>	<u>69,798</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(18,500)	(18,500)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(18,500)</u>	<u>(18,500)</u>	<u>-</u>
Net change in fund balances	(35,717)	34,081	69,798
<b>Fund balances - beginning</b>	<u>361,958</u>	<u>361,958</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 326,241</u>	<u>\$ 396,039</u>	<u>\$ 69,798</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, 2018*

	<b>Final Budget</b>	<b>Actual GAAP Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Fines and forfeitures	\$ 60,000	\$ 66,045	\$ 6,045
Investment earnings	500	241	(259)
<b>Total Revenues</b>	<u>60,500</u>	<u>66,286</u>	<u>5,786</u>
<b>Expenditures</b>			
<b>Current:</b>			
Municipal Court	92,270	84,875	7,395
<b>Total Expenditures</b>	<u>92,270</u>	<u>84,875</u>	<u>7,395</u>
Excess (deficiency) of revenues over expenditures	<u>(31,770)</u>	<u>(18,589)</u>	<u>13,181</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	30,000	30,000	-
Transfers out	(11,200)	(11,200)	-
<b>Total Other Financing Sources (Uses)</b>	<u>18,800</u>	<u>18,800</u>	<u>-</u>
Net change in fund balances	(12,970)	211	13,181
<b>Fund balances - beginning</b>	<u>232,069</u>	<u>232,069</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 219,099</u>	<u>\$ 232,280</u>	<u>\$ 13,181</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 56,000	\$ 447,596	\$ 391,596
Investment earnings	250	5,600	5,350
Miscellaneous	-	25,661	25,661
<b>Total Revenues</b>	<u>56,250</u>	<u>478,857</u>	<u>422,607</u>
<b>Expenditures</b>			
<b>Current:</b>			
Public safety:			
Police	273,104	246,353	26,751
<b>Capital outlay</b>	<u>39,093</u>	<u>51,047</u>	<u>(11,954)</u>
<b>Total Expenditures</b>	<u>312,197</u>	<u>297,400</u>	<u>14,797</u>
Excess (deficiency) of revenues over expenditures	<u>(255,947)</u>	<u>181,457</u>	<u>437,404</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(38,003)</u>	<u>(38,003)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(38,003)</u>	<u>(38,003)</u>	<u>-</u>
Net change in fund balances	(293,950)	143,454	437,404
<b>Fund balances - beginning</b>	<u>395,095</u>	<u>395,095</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 101,145</u>	<u>\$ 538,549</u>	<u>\$ 437,404</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 78,255	\$ 55,046	\$ (23,209)
<b>Total Revenues</b>	<u>78,255</u>	<u>55,046</u>	<u>(23,209)</u>
<b>Expenditures</b>			
<b>Current:</b>			
Public safety:			
Police	92,241	82,038	10,203
<b>Total Expenditures</b>	<u>92,241</u>	<u>82,038</u>	<u>10,203</u>
Excess (deficiency) of revenues over expenditures	<u>(13,986)</u>	<u>(26,992)</u>	<u>(13,006)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	6,452	6,452	-
<b>Total Other Financing Sources (Uses)</b>	<u>6,452</u>	<u>6,452</u>	<u>-</u>
Net change in fund balances	(7,534)	(20,540)	(13,006)
<b>Fund balances - beginning</b>	<u>51,279</u>	<u>51,279</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 43,745</u>	<u>\$ 30,739</u>	<u>\$ (13,006)</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Hotel occupancy tax	\$ 725,000	\$ 1,057,307	\$ 332,307
Charges for services	4,700	5,814	1,114
Investment earnings	1,500	11,310	9,810
<b>Total Revenues</b>	<u>731,200</u>	<u>1,074,431</u>	<u>343,231</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	586,765	448,648	138,117
Parks and recreation	201,720	180,475	21,245
<b>Capital outlay</b>	<u>344,164</u>	<u>243,604</u>	<u>100,560</u>
<b>Total Expenditures</b>	<u>1,132,649</u>	<u>872,727</u>	<u>259,922</u>
Excess (deficiency) of revenues over expenditures	<u>(401,449)</u>	<u>201,704</u>	<u>603,153</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(102,049)</u>	<u>(102,049)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(102,049)</u>	<u>(102,049)</u>	<u>-</u>
Net change in fund balances	(503,498)	99,655	603,153
<b>Fund balances - beginning</b>	<u>1,426,591</u>	<u>1,426,591</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 923,093</u>	<u>\$ 1,526,246</u>	<u>\$ 603,153</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Investment earnings	\$ 300	\$ 198	\$ (102)
Miscellaneous	10,000	36,940	26,940
<b>Total Revenues</b>	<u>10,300</u>	<u>37,138</u>	<u>26,838</u>
<b>Expenditures</b>			
<b>Current:</b>			
Parks and recreation	-	22,500	(22,500)
<b>Capital outlay</b>	137,883	103,323	34,560
<b>Total Expenditures</b>	<u>137,883</u>	<u>125,823</u>	<u>12,060</u>
Excess (deficiency) of revenues over expenditures	<u>(127,583)</u>	<u>(88,685)</u>	<u>38,898</u>
<b>Fund balances - beginning</b>	<u>192,449</u>	<u>192,449</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 64,866</u>	<u>\$ 103,764</u>	<u>\$ 38,898</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Investment earnings	\$ 4,000	\$ 112,808	\$ 108,808
Miscellaneous	-	50	50
<b>Total Revenues</b>	<u>4,000</u>	<u>112,858</u>	<u>108,858</u>
<b>Expenditures</b>			
<b>Current:</b>			
Development services	123,900	96,612	27,288
<b>Debt service:</b>			
Interest and other charges	50,000	-	50,000
<b>Capital outlay</b>	<u>9,913,381</u>	<u>1,218,039</u>	<u>8,695,342</u>
<b>Total Expenditures</b>	<u>10,087,281</u>	<u>1,314,651</u>	<u>8,772,630</u>
Excess (deficiency) of revenues over expenditures	<u>(10,083,281)</u>	<u>(1,201,793)</u>	<u>8,881,488</u>
<b>Other Financing Sources (Uses)</b>			
Issuance of long-term debt	2,000,000	-	(2,000,000)
Transfers in	868,693	704,689	(164,004)
<b>Total Other Financing Sources (Uses)</b>	<u>2,868,693</u>	<u>704,689</u>	<u>(2,164,004)</u>
Net change in fund balances	(7,214,588)	(497,104)	6,717,484
<b>Fund balances - beginning</b>	<u>7,540,075</u>	<u>7,540,075</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 325,487</u>	<u>\$ 7,042,971</u>	<u>\$ 6,717,484</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Intergovernmental	\$ 150,000	\$ 150,000	\$ -
Investment earnings	-	14,629	14,629
<b>Total Revenues</b>	<u>150,000</u>	<u>164,629</u>	<u>14,629</u>
<b>Expenditures</b>			
<b>Current:</b>			
Non-departmental	42,750	337,693	(294,943)
<b>Capital outlay</b>	<u>1,484,897</u>	<u>1,467,405</u>	<u>17,492</u>
<b>Total Expenditures</b>	<u>1,527,647</u>	<u>1,805,098</u>	<u>(277,451)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,377,647)</u>	<u>(1,640,469)</u>	<u>(262,822)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	<u>558,565</u>	<u>550,565</u>	<u>(8,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>558,565</u>	<u>550,565</u>	<u>(8,000)</u>
Net change in fund balances	(819,082)	(1,089,904)	(270,822)
<b>Fund balances - beginning</b>	<u>1,285,050</u>	<u>1,285,050</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 465,968</u>	<u>\$ 195,146</u>	<u>\$ (270,822)</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 83,182	\$ 83,182
<b>Total Revenues</b>	<u>-</u>	<u>83,182</u>	<u>83,182</u>
<b>Expenditures</b>			
Capital outlay	3,514,792	630,714	2,884,078
<b>Total Expenditures</b>	<u>3,514,792</u>	<u>630,714</u>	<u>2,884,078</u>
Excess (deficiency) of revenues over expenditures	<u>(3,514,792)</u>	<u>(547,532)</u>	<u>2,967,260</u>
<b>Fund balances - beginning</b>	<u>4,807,522</u>	<u>4,807,522</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 1,292,730</u>	<u>\$ 4,259,990</u>	<u>\$ 2,967,260</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 26,912	\$ 26,912
<b>Total Revenues</b>	<u>-</u>	<u>26,912</u>	<u>26,912</u>
<b>Expenditures</b>			
Capital outlay	1,622,050	444,133	1,177,917
<b>Total Expenditures</b>	<u>1,622,050</u>	<u>444,133</u>	<u>1,177,917</u>
Excess (deficiency) of revenues over expenditures	<u>(1,622,050)</u>	<u>(417,221)</u>	<u>1,204,829</u>
<b>Fund balances - beginning</b>	<u>1,514,881</u>	<u>1,514,881</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ (107,169)</u>	<u>\$ 1,097,660</u>	<u>\$ 1,204,829</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, 2018*

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Investment earnings	\$ 500	\$ -	\$ (500)
<b>Total Revenues</b>	<u>500</u>	<u>-</u>	<u>(500)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 1,000,000	\$ 1,000,000	\$ -
<b>Total Other Financing Sources (Uses)</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Net change in fund balances	1,000,500	1,000,000	(500)
<b>Fund balances - beginning</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
<b>Fund balances - ending</b>	<u><u>\$ 2,000,500</u></u>	<u><u>\$ 2,000,000</u></u>	<u><u>\$ (500)</u></u>

## **AGENCY FUND**

**CITY OF DESOTO, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
*For the Year Ended September 30, 2018*

	<u>Balance</u> <u>9/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>09/30/18</u>
<b>Southwest Regional</b>				
<b>Communications Center</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 507,204	\$ 6,219,498	\$ 4,798,019	\$ 1,928,683
<b>Total assets</b>	<u>\$ 507,204</u>	<u>\$ 6,219,498</u>	<u>\$ 4,798,019</u>	<u>\$ 1,928,683</u>
<b>Liabilities</b>				
Due to Southwest Regional Communications Center	\$ 507,204	\$ 6,219,498	\$ 4,798,019	\$ 1,928,683
<b>Total liabilities</b>	<u>\$ 507,204</u>	<u>\$ 6,219,498</u>	<u>\$ 4,798,019</u>	<u>\$ 1,928,683</u>

**DISCRETELY PRESENTED COMPONENT UNITS  
FUND FINANCIAL STATEMENTS**

**CITY OF DESOTO, TEXAS**  
**BALANCE SHEETS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
*September 30, 2018*

	<b>Desoto Parks Development Corporation</b>	<b>Desoto Economic Development Corporation</b>
<b>Assets</b>		
Cash and investments	\$ 571,430	\$ 3,238,945
Taxes receivable	145,429	436,288
Notes receivable	-	271,379
Other receivables	-	12,127
<b>Total Assets</b>	<b>\$ 716,859</b>	<b>\$ 3,958,739</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 248,019
Due to primary government	-	18,000
Security deposits	-	20,804
<b>Total Liabilities</b>	<b>-</b>	<b>286,823</b>
<b>Fund Balances:</b>		
Restricted for park and park facilities projects	716,859	-
Restricted for economic development	-	3,671,916
<b>Total Fund Balances</b>	<b>716,859</b>	<b>3,671,916</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 716,859</b>	<b>\$ 3,958,739</b>

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

<b>Total fund balances - component unit</b>	\$ 716,859	\$ 3,671,916
---------------------------------------------	------------	--------------

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 depreciation)	1,848,522	-

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	-	8,223
Accrued interest	(7,187)	(9,147)
Long-term debt	(1,355,000)	(1,783,695)
<b>Net position of component unit</b>	<b>\$ 1,214,444</b>	<b>\$ 1,887,297</b>

**CITY OF DESOTO, TEXAS**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
*For the Year Ended September 30, 2018*

	<b>Desoto Parks Development Corporation</b>	<b>Desoto Economic Development Corporation</b>
<b>Revenues</b>		
Sales tax	\$ 843,259	\$ 2,073,286
Investment earnings	712	13,260
Miscellaneous revenue	-	39,261
<b>Total Revenues</b>	843,971	2,125,807
<b>Expenditures</b>		
<b>Current:</b>		
Parks and leisure services	302,164	-
Economic development	-	2,434,564
<b>Debt service:</b>		
Principal	390,000	220,000
Interest and other charges	69,150	77,119
<b>Total Expenditures</b>	761,314	2,731,683
Excess (deficiency) of revenues over expenditures	82,657	(605,876)
<b>Fund balances - beginning</b>	634,202	4,277,792
<b>Fund balances - ending</b>	\$ 716,859	\$ 3,671,916

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

<b>Net Change in Fund Balances - component unit</b>	\$ 82,657	\$ (605,876)
-----------------------------------------------------	-----------	--------------

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.

	(149,752)	-
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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	390,000	220,000
Amortization of premium on debt	-	3,717
Amortization of deferred loss on refunding	-	(1,645)

Differences between cash payments for pension and OPEB contributions reported in fund based financial statements and pension and OPEB expense (revenue) as reported in the Corporation's government-wide financial statements.

	-	32,500
--	---	--------

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	-	(16,387)
Accrued interest	1,950	986

<b>Changes in Net Position of component units</b>	\$ 324,855	\$ (366,705)
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# STATISTICAL SECTION

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

## Contents Pages

<b><i>Financial Trends</i></b>	<b>104-112</b>
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
<b><i>Revenue Capacity</i></b>	<b>115-120</b>
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
<b><i>Debt Capacity</i></b>	<b>123-126</b>
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
<b><i>Demographic and Economic Information</i></b>	<b>128-130</b>
This schedule offers demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<b><i>Operating Information</i></b>	<b>132-134</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	

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

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

	<u>2018</u>	<u>2017<sup>(2)</sup></u>	<u>2016</u>	<u>2015<sup>(1)</sup></u>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 80,033,283	\$ 75,324,298	\$ 75,388,877	\$ 75,008,168
Restricted	7,593,680	7,114,045	7,145,838	6,848,661
Unrestricted	27,706,164	28,502,199	24,359,405	21,092,761
<b>Total governmental activities net position</b>	<u>\$ 115,333,127</u>	<u>\$ 110,940,542</u>	<u>\$ 106,894,120</u>	<u>\$ 102,949,590</u>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 48,169,097	\$ 48,359,679	\$ 52,278,918	\$ 52,019,447
Unrestricted	19,377,215	18,440,994	14,882,299	15,159,256
<b>Total business-type activities net position</b>	<u>\$ 67,546,312</u>	<u>\$ 66,800,673</u>	<u>\$ 67,161,217</u>	<u>\$ 67,178,703</u>
<b>Primary government</b>				
Net investment in capital assets	\$ 128,202,380	\$ 123,683,977	\$ 127,667,795	\$ 127,099,615
Restricted	7,593,680	7,114,045	7,145,838	6,848,661
Unrestricted	47,083,379	46,943,193	39,241,704	36,252,017
<b>Total Primary government net positions</b>	<u>\$ 182,879,439</u>	<u>\$ 177,741,215</u>	<u>\$ 174,055,337</u>	<u>\$ 170,200,293</u>

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

<sup>(2)</sup> In fiscal year 2017, the City implemented GASB Statement No. 75. Prior periods have not been restated as information is not available.

*Table 1*

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 79,821,001	\$ 80,552,505	\$ 85,553,558	\$ 83,839,278	\$ 82,952,006	\$ 88,778,833
6,171,884	5,011,347	2,762,778	2,629,370	1,727,639	3,407,347
11,361,795	8,889,050	9,830,512	9,708,413	12,761,912	7,458,927
<u>\$ 97,354,680</u>	<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>
\$ 53,034,176	\$ 55,777,822	\$ 57,708,884	\$ 46,444,456	\$ 59,668,820	\$ 53,525,260
14,439,474	13,095,617	10,933,100	21,617,015	6,493,872	12,276,723
<u>\$ 67,473,650</u>	<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>
\$ 132,855,177	\$ 136,330,327	\$ 143,262,442	\$ 130,283,734	\$ 142,620,826	\$ 142,304,093
6,171,884	5,011,347	2,762,778	2,629,370	1,727,639	3,407,347
25,801,269	21,984,667	20,763,612	31,325,428	19,255,784	19,735,650
<u>\$ 164,828,330</u>	<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>

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Expenses</b>				
<b>Governmental activities:</b>				
General government	\$ 5,049,294	\$ 3,683,213	\$ 6,116,384	\$ 4,472,030
Public safety	19,970,864	20,858,244	19,523,630	15,633,862
Development services	10,626,406	9,785,883	9,599,031	8,860,259
Financial services	553,589	547,209	461,984	215,738
Municipal court	654,228	664,332	574,850	496,540
Information technology	1,183,645	1,032,524	767,304	521,186
Human resources	543,970	420,891	390,706	253,336
Parks and recreation services	4,374,426	4,402,453	3,994,107	3,623,576
Library services	1,046,804	1,055,252	1,017,369	776,904
Interest on long-term debt	1,797,897	3,138,147	2,352,141	2,807,023
<b>Total government activities expenses</b>	<b>45,801,123</b>	<b>45,588,148</b>	<b>44,797,506</b>	<b>37,660,454</b>
<b>Business-type activities:</b>				
Water and wastewater	19,439,621	19,002,233	17,589,431	16,049,932
Drainage	1,187,471	1,220,638	1,232,946	1,155,389
Sanitation	4,522,062	4,316,881	4,035,409	3,843,039
<b>Total business-type activities</b>	<b>25,149,154</b>	<b>24,539,752</b>	<b>22,857,786</b>	<b>21,048,360</b>
<b>Total primary government expenses</b>	<b>\$ 70,950,277</b>	<b>\$ 70,127,900</b>	<b>\$ 67,655,292</b>	<b>\$ 58,708,814</b>
 <b>PROGRAM REVENUES</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	\$ 454,807	\$ 459,447	\$ 466,958	\$ 452,770
Public safety	3,942,371	4,053,992	4,193,774	4,564,521
Development services	1,395,670	1,407,041	1,268,385	1,319,083
Financial services	-	-	-	-
Information technology	-	-	-	-
Human resources	-	-	-	-
Parks and recreation services	740,252	698,496	721,131	750,124
Library services	36,095	36,963	39,301	44,048
<b>Operating grants and contributions</b>	<b>1,009,861</b>	<b>1,148,587</b>	<b>1,084,583</b>	<b>1,228,969</b>
<b>Capital grants and contributions</b>	<b>150,000</b>	<b>250,000</b>	<b>250,000</b>	<b>1,787</b>
<b>Total Governmental activities program revenues:</b>	<b>7,729,056</b>	<b>8,054,526</b>	<b>8,024,132</b>	<b>8,359,515</b>
 <b>Business-type activities:</b>				
<b>Charges for services:</b>				
Water and wastewater	21,971,318	20,322,951	19,286,512	17,849,524
Drainage	1,552,846	1,545,804	1,530,199	1,501,251
Sanitation	4,345,350	4,259,301	4,111,474	4,003,031
Capital grants and contributions	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>27,869,514</b>	<b>26,128,056</b>	<b>24,928,185</b>	<b>23,353,806</b>
<b>Total primary government program revenues</b>	<b>\$ 35,598,570</b>	<b>\$ 34,182,582</b>	<b>\$ 32,952,317</b>	<b>\$ 31,713,321</b>

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

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 3,689,262	\$ 4,054,193	\$ 4,562,337	\$ 5,217,799	\$ 4,845,547	\$ 3,827,242
18,322,046	17,789,694	17,491,146	17,578,307	17,889,132	17,402,007
9,201,069	8,878,903	7,312,154	7,788,666	8,109,041	7,523,025
397,475	492,164	926,892	855,547	884,724	777,635
541,705	456,592	-	-	-	-
428,672	306,289	280,360	294,197	294,032	328,417
290,303	246,211	197,978	139,935	171,664	213,452
3,683,337	3,899,590	3,844,791	3,584,536	3,683,752	3,162,068
919,596	892,249	890,239	896,501	949,520	933,378
2,453,548	2,634,793	3,391,573	3,423,048	3,557,515	3,939,305
<u>39,927,013</u>	<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>
15,982,382	14,061,689	14,097,518	13,452,042	12,697,975	12,611,568
1,594,527	1,970,730	1,427,820	1,282,892	1,209,603	1,187,708
3,795,723	3,695,159	3,246,026	2,957,452	2,935,666	2,889,531
<u>21,372,632</u>	<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>\$ 61,299,645</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>
\$ 332,066	\$ 618,605	\$ 365,815	\$ 226,158	\$ 329,150	\$ 989,675
4,225,010	3,024,624	2,865,010	2,459,939	2,518,011	3,593,925
1,260,957	871,691	823,229	795,377	575,242	448,877
-	768,546	813,009	864,197	756,356	834,057
-	63,068	62,601	64,841	61,406	51,333
-	-	-	-	-	518
749,215	-	-	-	-	-
59,149	-	-	-	-	-
964,431	1,040,029	1,254,754	926,017	1,684,707	1,088,561
1,787	376,468	2,450,162	402,804	338,964	23,696
<u>7,592,615</u>	<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>
16,583,747	16,532,417	16,138,436	16,680,611	14,155,822	14,036,444
1,483,893	1,488,332	1,458,904	1,472,674	1,463,866	1,447,012
3,954,851	3,848,776	3,428,857	3,244,899	3,199,311	2,880,996
-	137,750	15,000	158,865	35,571	104,877
<u>22,022,491</u>	<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>\$ 29,615,106</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>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$ (38,072,067)	\$ (37,533,622)	\$ (36,773,374)	\$ (29,300,939)
Business-type activities	2,720,360	1,588,304	2,070,399	2,305,446
<b>Total primary government net expense</b>	<u>\$ (35,351,707)</u>	<u>\$ (35,945,318)</u>	<u>\$ (34,702,975)</u>	<u>\$ (26,995,493)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
<b>Governmental activities:</b>				
<b>Taxes:</b>				
Property taxes	\$ 27,172,987	\$ 25,082,533	\$ 24,570,117	\$ 22,332,142
Sales taxes	8,293,142	7,628,513	8,838,202	8,865,087
Franchise and other taxes	3,230,330	3,017,636	3,067,237	3,177,165
Hotel occupancy	1,057,307	903,183	959,888	840,967
Unrestricted investment earnings	647,466	302,375	192,921	120,644
Miscellaneous	713,774	2,521,996	822,302	794,451
Transfers	2,123,808	2,123,808	2,267,237	2,266,818
<b>Total governmental activities</b>	<u>43,238,814</u>	<u>41,580,044</u>	<u>40,717,904</u>	<u>38,397,274</u>
<b>Business-type activities:</b>				
Unrestricted investment earnings	207,387	111,460	107,352	99,713
Miscellaneous	-	63,500	-	-
Transfers	(2,123,808)	(2,123,808)	(2,267,237)	(2,266,818)
<b>Total business-type activities</b>	<u>(1,916,421)</u>	<u>(1,948,848)</u>	<u>(2,159,885)</u>	<u>(2,167,105)</u>
<b>Total primary government CHANGE IN NET POSITION</b>	<u>41,322,393</u>	<u>39,631,196</u>	<u>38,558,019</u>	<u>36,230,169</u>
Governmental activities	5,166,747	4,046,422	3,944,530	9,096,335
Business-type activities	803,939	(360,544)	(89,486)	138,341
<b>Total primary government</b>	<u>\$ 5,970,686</u>	<u>\$ 3,685,878</u>	<u>\$ 3,855,044</u>	<u>\$ 9,234,676</u>

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ (32,334,398)	\$ (32,887,647)	\$ (30,262,890)	\$ (34,039,203)	\$ (34,121,091)	\$ (31,075,887)
649,859	2,279,697	2,269,833	3,864,663	2,011,326	1,780,522
<u>\$ (31,684,539)</u>	<u>\$ (30,607,950)</u>	<u>\$ (27,993,057)</u>	<u>\$ (30,174,540)</u>	<u>\$ (32,109,765)</u>	<u>\$ (29,295,365)</u>
\$ 21,730,242	\$ 21,165,572	\$ 20,673,781	\$ 21,392,377	\$ 20,998,395	\$ 21,562,536
6,548,886	6,089,949	5,929,029	5,409,524	5,532,796	5,028,838
3,024,987	2,846,979	2,835,277	2,998,791	2,794,521	3,129,287
790,657	755,819	734,528	634,074	571,969	470,214
61,157	74,177	70,204	83,020	42,494	314,323
956,711	207,602	254,756	262,238	208,314	-
2,123,536	1,836,131	1,735,102	1,651,170	1,769,052	1,278,553
<u>35,236,176</u>	<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>
73,888	68,425	45,782	28,799	31,429	55,674
-	-	-	-	87,006	30,208
<u>(2,123,536)</u>	<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>(2,049,648)</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>33,186,528</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>
2,901,778	88,582	1,969,787	(1,608,009)	(2,203,550)	707,864
<u>(1,399,789)</u>	<u>511,991</u>	<u>580,513</u>	<u>2,242,292</u>	<u>360,709</u>	<u>587,851</u>
<u>\$ 1,501,989</u>	<u>\$ 600,573</u>	<u>\$ 2,550,300</u>	<u>\$ 634,283</u>	<u>\$ (1,842,841)</u>	<u>\$ 1,295,715</u>

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>General fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Inventories	48,487	39,087	32,561	42,754
Prepays	-	1,000	-	-
Assigned:				
Subsequent year's budget	-	-	-	-
Unassigned	24,369,385	23,655,407	20,923,754	18,868,052
<b>Total General Fund</b>	<b>24,417,872</b>	<b>23,695,494</b>	<b>20,956,315</b>	<b>18,910,806</b>
<b>All Other Governmental Funds</b>				
Reserved	-	-	-	-
Special revenue funds	-	-	-	-
Non Spendable: Note Receivable	-	-	438	-
Restricted:				
Debt Service	4,031,605	3,641,392	3,194,715	2,829,319
Street Improvements	7,042,971	7,540,075	4,161,565	3,971,537
Public safety	1,194,604	1,040,401	1,038,550	1,275,472
Economic Development	1,526,246	1,426,591	1,628,378	1,339,552
Culture and Recreation	-	-	-	-
Capital projects	-	-	-	-
Committed:				
Public Health	20,292	20,076	18,435	18,387
Development activities	193,404	212,297	226,523	240,997
Assigned:				
Street Improvements	-	-	-	-
Capital projects	-	8,799,902	5,867,799	3,860,287
<b>Total Other Governmental Funds</b>	<b>14,009,122</b>	<b>22,680,734</b>	<b>16,136,403</b>	<b>13,535,551</b>
<b>Total Fund Balances of Governmental Funds</b>	<b>\$ 38,426,994</b>	<b>\$ 46,376,228</b>	<b>\$ 37,092,718</b>	<b>\$ 32,446,357</b>

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

**Table 3**

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011 **</b>	<b>2010</b>	<b>2009</b>
\$ -	\$ -	\$ -	\$ -	\$ 221,638	\$ 454,274
-	-	-	-	6,964,196	7,157,520
42,754	45,363	52,881	39,331	-	-
-	-	-	-	-	-
-	-	557,178	528,025	-	-
13,395,310	10,590,898	8,684,056	7,967,759	-	-
<u>13,438,064</u>	<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>
-	-	-	-	18,072,628	21,282,353
-	-	-	-	(375,719)	(296,834)
57,003	109,005	161,673	212,025	-	-
2,532,070	1,655,137	1,603,729	1,450,009	-	-
2,592,811	5,684,787	7,480,942	9,080,205	-	-
922,879	696,371	728,475	679,910	-	-
1,034,694	800,580	552,351	558,547	-	-
-	-	-	617	-	-
-	35,248	35,248	1,327,888	-	-
18,370	18,355	18,352	18,323	-	-
258,979	277,947	152,029	150,081	-	-
-	115,737	826,931	1,387,953	-	-
246,994	528,404	729,681	-	-	-
<u>7,663,800</u>	<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>\$ 21,101,864</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>

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>				
<b>Taxes</b>				
Property taxes	\$ 27,117,831	\$ 25,139,231	\$ 23,525,948	\$ 22,519,005
Sales taxes	8,334,059	7,671,052	7,434,323	7,721,468
Franchise fees and others	3,189,413	2,975,097	3,023,812	3,138,343
Hotel occupancy	1,057,307	903,183	959,888	840,967
Fines and forfeitures	1,516,509	1,381,768	1,425,402	1,651,605
Licenses and permits	1,395,670	1,407,041	1,280,155	1,301,283
Intergovernmental	2,598,124	3,592,705	2,966,622	2,395,890
Charges for services	2,116,107	2,482,584	2,330,713	2,621,251
Investment earnings	647,466	302,375	192,921	120,644
Recreation services	723,686	683,748	704,626	731,396
Miscellaneous	577,728	554,115	407,518	327,420
<b>Total revenues</b>	<b>49,273,900</b>	<b>47,092,899</b>	<b>44,251,928</b>	<b>43,369,272</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,609,394	1,462,675	1,495,396	1,234,143
Public safety:	18,281,537	18,371,592	17,471,592	16,873,317
Development services	4,807,031	4,984,007	4,768,473	4,935,865
Financial services	508,146	455,303	394,729	330,494
Municipal court	640,028	630,332	553,850	584,523
Information technology	1,053,838	878,203	621,493	474,937
Human resources	533,957	392,306	373,022	329,166
Parks and recreation	3,490,816	3,463,275	3,205,034	3,130,647
Library services	1,128,874	1,112,442	1,086,062	886,474
Non-departmental	3,887,533	2,533,268	2,473,767	2,922,910
<b>Debt service:</b>				
Principal	5,644,653	12,803,125	5,117,121	4,866,302
Interest and other charges	2,337,157	2,526,036	2,748,066	2,587,579
<b>Capital outlay</b>	<b>7,370,715</b>	<b>5,982,739</b>	<b>4,910,606</b>	<b>2,353,421</b>
<b>Total expenditures</b>	<b>51,293,679</b>	<b>55,595,303</b>	<b>45,219,211</b>	<b>41,509,778</b>
Excess of revenues over (under) expenditures	(2,019,779)	(8,502,404)	(967,283)	1,859,494
<b>Other Financing Sources (Uses)</b>				
Issuance Long-Term Debt	-	21,583,025	10,023,977	6,718,947
Other Sources	46,300	1,054,486	62,847	500,739
Payment to refund escrow agent	-	(6,975,233)	(6,742,097)	-
Transfers in	4,842,955	5,131,533	4,503,599	2,982,684
Transfers out	(2,719,147)	(3,007,725)	(2,236,362)	(715,866)
<b>Total other financing sources (uses)</b>	<b>2,170,108</b>	<b>17,786,086</b>	<b>5,611,964</b>	<b>9,486,504</b>
<b>Net change in fund balances</b>	<b>\$ 150,329</b>	<b>\$ 9,283,682</b>	<b>\$ 4,644,681</b>	<b>\$ 11,345,998</b>
Debt service as a percentage of noncapital expenditures	18.2%	30.9%	18.5%	18.7%

**Table 4**

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 21,709,933	\$ 21,147,434	\$ 20,753,144	\$ 20,719,051	\$ 20,972,154	\$ 21,774,805
6,548,886	6,089,949	6,423,115	5,860,318	5,532,796	5,056,041
3,024,987	2,877,716	2,692,496	2,998,792	2,828,106	3,129,287
790,657	725,382	704,045	597,292	575,384	405,064
1,520,772	998,412	958,534	1,054,477	1,096,452	984,317
1,248,422	871,691	823,229	795,377	732,293	644,884
2,261,079	1,867,758	2,072,020	1,278,510	1,297,146	1,112,257
2,283,407	2,189,271	1,921,012	1,696,669	1,627,574	1,634,730
61,157	74,177	70,204	83,020	76,403	314,323
731,655	748,099	796,815	820,760	748,192	860,012
781,805	291,392	156,764	257,910	535,208	710,354
<u>40,962,760</u>	<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>
1,260,101	2,120,838	2,631,101	2,622,418	1,961,081	1,279,890
16,493,144	16,917,596	16,591,396	16,981,677	16,653,927	16,117,852
6,077,682	3,103,786	3,042,163	3,340,924	3,551,797	3,521,060
330,271	833,766	762,721	727,046	778,779	713,569
525,049	-	-	-	-	-
402,041	290,045	274,064	293,953	284,355	312,204
288,934	247,092	197,010	140,181	167,715	195,881
2,882,472	3,077,070	3,222,956	3,186,277	3,234,926	2,913,823
896,324	875,161	869,133	879,457	935,633	889,791
3,084,050	1,423,854	1,386,474	1,288,744	2,067,520	1,358,466
4,630,076	5,602,787	4,989,020	4,641,948	4,140,140	4,531,913
2,643,073	2,915,788	3,692,322	3,602,843	3,527,769	3,922,904
3,140,232	3,386,111	3,524,766	3,755,708	4,362,869	9,203,386
<u>42,653,449</u>	<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>
(1,690,689)	(2,912,613)	(3,811,748)	(5,299,000)	(5,644,803)	(8,334,665)
75,000	10,375,000	18,040,000	3,314,406	755,000	14,105,000
36,185	733,159	3,220,773	189,967	130,802	510,352
-	(11,161,123)	(21,001,274)	(1,338,613)	(724,621)	(8,281,298)
3,665,104	4,077,117	3,314,660	2,981,635	7,396,548	5,695,409
(1,541,568)	(2,240,986)	(1,579,558)	(1,330,465)	(5,627,496)	(4,416,856)
<u>2,234,721</u>	<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>\$ 544,032</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>
19.2%	22.8%	23.1%	21.9%	20.6%	23.6%

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

**Table 5**

<b>Real Property</b>				
<b>Fiscal Year</b>	<b>Real Property Assessed Value</b>	<b>Personal Property Assessed Value</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax rate</b>
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
2018	3,315,801,528	568,601,030	3,884,402,558	0.7399

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

Source: Dallas County Tax Office

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

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Dallas County &amp; School Equalization</u>	<u>Dallas Parkland Hospital</u>	<u>Dallas County Comm. College</u>
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
2018	0.54000	0.19990	0.73990	0.25310	0.27900	0.12424

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>
\$ 1.30173	\$ 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	2.69113	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	2.69337	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
1.39624	1.49000	2.88624	1.28209	2.67833	1.52150	2.91774

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

*Table 7*

<b>Fiscal Year Ended Sept 30,</b>	<b>Taxes Levied for the Fiscal Year*</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>% of Levy</b>		<b>Amount</b>	<b>% of Levy</b>
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%	73,777	25,848,814	99.26%
2018	28,054,990	27,759,374	98.95%	212,400	27,971,774	99.70%

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*

<b>2018</b>					
Taxpayer	Taxable Assessed Valuation (1)	Type of Business	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
Kohl's Department Store	\$ 105,369,380	Manufacturing	1	2.71%	24.97%
Harvest A Southfield 35 LLC	46,789,820	Manufacturing	2	1.20%	11.09%
WRH Properties Inc	46,729,450	Apartments	3	1.20%	11.08%
Kohler Co	42,655,270	Manufacturing	4	1.10%	10.11%
HLIT II CTC 3 LP	32,382,260	Manufacturing	5	0.83%	7.67%
Lowes Home Centers LLC	32,065,620	Retail	6	0.83%	7.60%
DeSoto Apartments Ltd	31,992,000	Apartments	7	0.82%	7.58%
Cintas Corporation 2	28,724,230	Retail/Uniforms	8	0.74%	6.81%
Walmart Stores Inc	28,664,090	Retail	9	0.74%	6.79%
Oncor Electric Delivery Co	26,548,630	Public Utility	10	0.68%	6.29%
Solar Turbines	-	Manufacturing		-	-
McGraw Hill Education	-	Manufacturing		-	-
Tejas Family Investments	-	Investments		-	-
DeSoto Ridge Apartments	-	Apartments		-	-
Diab LP	-	Manufacturing		-	-
Total	<u>\$ 421,920,750</u>			<u>10.86%</u>	<u>100.0%</u>

Source: (1) Dallas County Appraisal District

**Table 8**

<b>2009</b>			
Taxable Assessed Valuation (1)	Rank	Percentage of Total Taxable Assessed Valuation	Percentage of Top Ten Taxpayers to Assessed Valuation
\$ -		-	-
-		-	-
21,048,570	6	0.69%	5.40%
-		-	-
-		-	-
-		-	-
16,500,000	9	0.54%	4.23%
24,905,410	4	0.81%	6.38%
29,692,040	3	0.97%	7.61%
24,370,360	5	0.80%	6.25%
158,372,120	1	5.17%	40.59%
66,386,840	2	2.17%	17.02%
16,566,140	8	0.54%	4.25%
15,255,280	10	0.50%	3.91%
17,027,550	7	0.56%	4.36%
<u>\$ 390,124,310</u>		<u>12.75%</u>	<u>100.0%</u>

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**CITY OF DESOTO, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*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			
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
2018	50,472,563	8,090,138	-	1,321,865	5,076,488	9,731,805	74,692,859	4.58%	1,394

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*

<b>Fiscal Year</b>	<b>Population</b>	<b>Assessed Value</b>	<b>Total Bonded Debt (1)</b>	<b>Less Debt Services Monies Available</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Per Capita</b>
2009	48,700	\$ 3,064,485,872	\$ 93,756,714	\$ 1,831,987	\$ 91,924,727	3.00%	\$ 1,888
2010	48,322	2,938,727,244	94,708,056	2,159,684	92,548,372	3.15%	1,915
2011	49,047	2,810,329,891	94,375,001	1,450,009	92,924,992	3.31%	1,895
2012	49,047	2,795,486,741	85,564,335	1,603,730	83,960,605	3.00%	1,712
2013	51,102	2,779,938,575	87,175,217	1,655,136	85,520,081	3.08%	1,674
2014	51,483	2,877,357,291	77,245,000	2,532,070	74,712,930	2.60%	1,451
2015	51,934	3,017,996,030	76,585,000	2,820,786	73,764,214	2.44%	1,420
2016	52,586	3,130,445,607	74,610,000	3,194,715	71,415,285	2.28%	1,358
2017	53,128	3,533,804,869	80,372,440	3,641,392	76,731,048	2.17%	1,444
2018	53,568	3,884,402,558	73,370,994	4,031,605	69,339,389	1.79%	1,294

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

**CITY OF DESOTO, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
 September 30, 2018

*Table 11*

<u>Taxing Jurisdiction</u>	<u>Total Tax Supported Debt (1)</u>	<u>Overlapping</u>	
		<u>Percent Applicable</u>	<u>Amount</u>
<b>Overlapping Debt</b>			
DeSoto Independent School District	\$ 128,363,614	83.85%	\$ 107,632,890
Dallas County	172,265,000	1.71%	2,945,732
Dallas County Schools	33,815,000	1.71%	578,237
Dallas Independent School District	2,817,050,000	0.56%	15,775,480
Dallas County Community College District	224,030,000	1.71%	3,830,913
Dallas County Hospital District	687,775,000	1.71%	11,760,953
Duncanville Independent School District	209,011,096	6.85%	14,317,260
<b>Total Overlapping Debt</b>			<u>156,841,464</u>
<b>City Direct Debt (Governmental Activities)</b>	59,884,566	100.00%	<u>59,884,566</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 216,726,030</u></u>
<b>Population</b>			53,568
<b>Ratio of direct and overlapping bonded debt to taxable assessed value</b>			5.58%
<b>Per Capita Debt-Direct and Overlapping Debt</b>			<u><u>\$ 4,045.8</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 DeSoto, 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Assessed Value	\$ 3,884,402,558	\$ 3,533,804,869	\$ 3,130,445,607	\$ 3,017,996,030
Debt limit - (10%) of total assessed value	388,440,256	353,380,487	313,044,561	301,799,603
Amount of debt applicable to debt limit:				
Total bonded debt (including special assessment bonds)	73,370,994	80,372,440	74,610,000	76,585,000
Less: assets in debt service funds available for payment of principal	<u>4,031,605</u>	<u>3,641,392</u>	<u>3,194,715</u>	<u>2,820,786</u>
Total amount of debt applicable to debt limit	69,339,389	76,731,048	71,415,285	73,764,214
<b>Legal Debt Margin</b>	<u>\$ 319,100,867</u>	<u>\$ 276,649,439</u>	<u>\$ 241,629,276</u>	<u>\$ 228,035,389</u>
<b>Ratio of outstanding net debt to the debt limit</b>	18%	22%	23%	24%

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*

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 2,877,357,291	\$ 2,779,938,575	\$ 2,795,486,741	\$ 2,810,329,891	\$ 2,938,727,244	\$ 3,064,485,872
287,735,729	277,993,858	279,548,674	281,032,989	293,872,724	306,448,587
77,245,000	87,175,217	85,564,335	94,375,001	94,708,056	93,756,714
<u>2,532,070</u>	<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>
74,712,930	85,520,081	83,960,605	92,924,992	92,548,372	91,924,727
<u>\$ 213,022,799</u>	<u>\$ 192,473,777</u>	<u>\$ 195,588,069</u>	<u>\$ 188,107,997</u>	<u>\$ 201,324,352</u>	<u>\$ 214,523,860</u>
26%	31%	30%	33%	31%	30%

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

*Table 13*

<b>Fiscal Year</b>	<b>Population</b>	<b>Estimated Median Family Household Income (1)</b>	<b>Personal Income* (2)</b>	<b>Per Capita Personal Income*</b>	<b>Median Age</b>	<b>Education level in Years of Schooling</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
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%
2018	53,568	64,575	1,632,592	30	36.1	High School + 2 Years	8,971	5.2%

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**

<b>Employer</b>	<b>2018</b>			<b>2009</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
DeSoto ISD	1,104	1	21.58%	924	1	27.46%
Kohl's e-Commerce	800	2	15.63%	-	-	-
City of DeSoto	468	3	9.15%	367	2	10.91%
Solar Turbines	350	4	6.84%	300	4	8.92%
Williamsburg Village	350	5	6.84%	210	6	6.24%
GlasFloss Industries	300	6	5.86%	-	-	-
Marten Transport	250	7	4.89%	-	-	-
Wal Mart Distribution	250	8	4.89%	240	5	7.13%
Hickory Trail Hospital	250	9	4.89%	-	-	-
The Cedars	190	10	3.71%	100	14	2.97%
Vibra Hospital	168	11	3.28%	-	-	-
DW Distribution	150	12	2.93%	124	10	3.69%
Cintas	150	13	2.93%	-	-	-
Park Manor	125	14	2.44%	124	11	3.69%
Kroger	112	15	2.19%	125	9	3.72%
Thom Thumb	100	16	1.95%	150	8	4.46%
DIAB	-	-	-	325	3	9.66%
Mc-Graw Hill	-	-	-	155	7	4.61%
ZEP	-	-	-	118	12	3.51%
MCM Grande	-	-	-	102	13	3.03%
<b>Total</b>	<b>5,117</b>		<b>100.00%</b>	<b>3,364</b>		<b>100.00%</b>

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

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

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

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Governmental Activities:</b>					
General Government	11	11	10	10	10
Public Safety	189	205	207	193	184
Development Services	30	32	29	27	27
Parks and Recreation Services	28	26	35	34	34
Finance	10	9	9	9	9
Municipal Court*	6	7	7	7	6
Library	9	8	8	15	15
Human Resources	5	5	4	5	4
Information Technology	6	5	3	4	3
Water & Sewer	22	26	30	31	31
Drainage	5	5	5	5	5
Sanitation	5	5	5	5	5
<b>Total</b>	<b>326</b>	<b>344</b>	<b>352</b>	<b>345</b>	<b>333</b>
Population	53,568	53,128	52,586	51,934	51,483
Staff per 1,000 population	6.09	6.47	6.69	6.64	6.47

\* Formerly categorized with Financial Services.

Source: City of DeSoto Human Resource Department

*Table 15*

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
10	11	10	10	10
188	196	200	199	197
25	25	25	24	24
36	28	28	27	26
15	11	10	10	11
-	-	-	-	-
15	12	12	7	7
3	3	3	3	3
2	2	2	2	2
30	28	26	26	26
5	1	1	1	1
<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<u>334</u>	<u>322</u>	<u>322</u>	<u>314</u>	<u>312</u>
51,102	49,047	49,047	48,322	48,700
6.54	6.57	6.57	6.50	6.41

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

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>General government</b>				
Number of public information requests processed	403	469	503	386
<b>Public safety</b>				
Number of youth outreach programs held	5	5	5	5
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	1,430	1,477	1,433	389
<b>Development services</b>				
Traffic signal inspections	36	36	68	68
<b>Parks and leisure services</b>				
Total fitness facility memberships	3,215	2,128	4,017	1,139
Total swimming pool attendance	16,257	18,624	16,699	17,723
<b>Library</b>				
Total children's' story time programs	134	55	69	63
<b>Human resources</b>				
Number of salary surveys completed	47	51	40	25
<b>Finance</b>				
Municipal court cases filed	8,088	9,425	10,101	10,077
<b>Information technology</b>				
Number of City computers replaced annually	67	94	61	24
<b>Water and sewer</b>				
Number of touch read meters changed out	1,604	1,692	1,740	1,580
Number of meters read monthly	17,740	17,570	17,387	17,254
<b>Drainage</b>				
Number of easements acquired for project construction	-	6	7	-
<b>Sanitation</b>				
Number of existing intersection landscapes renovated annually	18	6	18	4

Source: Information provided by the head of each department

*Table 16*

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
392	267	2,320	2,023	86	2,018
2	1	9	10	11	10
1	13	1	1	1	1
1	1	2	1	2	1
235	463	756	835	978	423
34	204	68	68	85	204
4,433	4,519	6,347	4,861	5,780	6,405
15,817	16,461	16,474	17,148	15,648	16,887
61	51	57	53	32	98
21	28	24	4	5	5
12,371	9,157	9,105	10,499	12,106	11,342
58	52	82	65	8	63
4,224	457	1,002	1,338	1,189	629
17,484	16,903	15,480	16,008	15,879	15,748
-	-	3	-	1	5
17	2	6	4	3	2

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

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Public safety</b>					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
<b>Development services</b>					
Lane Miles of streets	495	495	495	495	493
Miles of alleys	90	90	90	90	90
Traffic signals	17	17	17	17	17
<b>Parks and recreation</b>					
Number of parks	19	19	19	19	19
Civic centers	1	1	1	1	1
Swimming pools	1	1	1	1	1
Theater playhouses	1	1	1	1	1
<b>Library</b>					
Number of libraries	1	1	1	1	1
<b>Water and sewer</b>					
Water pumping capacity	39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day	39.5mg/day
Elevated water storage	5mg.	5mg.	5mg.	5mg.	5mg.
Ground storage	13mg.	13mg.	13mg.	13mg.	13mg.

*Table 17*

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
1	1	1	1	1
3	3	3	3	3
482	478	491	391	484
90	77	91	94	96
17	17	17	17	17
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.