

***DALLAS COUNTY UTILITY  
AND RECLAMATION DISTRICT***

**Basic Financial Statements  
and Supplemental Schedules  
For the Year Ended September 30, 2019  
and Independent Auditor's Report**

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**Dallas County Utility and Reclamation District**  
 Annual Financial Report  
 For the Fiscal Year Ended September 30, 2019  
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# **Financial Section**

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## Independent Auditor's Report

To the Board of Directors of  
Dallas County Utility and Reclamation District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dallas County Utility and Reclamation District (the District) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District'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.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dallas County Utility and Reclamation District as of September 30, 2019, 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.

The Board of Directors of  
Dallas County Utility and Reclamation District

**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 5-12, the Budgetary Comparison Schedule on page 50, the Schedule of Changes in Net Pension Liability and Related Ratios Multiyear on page 51 and the Schedule of Contributions on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining internal service fund financial statements and the schedule of debt service requirements to maturity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
January 15, 2020



## Management's Discussion and Analysis (Unaudited)

As management of the Dallas County Utility and Reclamation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

### Financial Highlights

- In the government-wide financial statements, liabilities and deferred inflows of the District exceeded assets and deferred outflows by \$147.1 million, with unrestricted net position of \$(72.1) million;
- The net investment in capital assets has a deficit of \$75 million due to the fact that the long-term debt exceeds the capital assets net of depreciation. The debt includes unamortized premiums and discounts, in addition to the original cost of the capital assets. The capital assets are mainly infrastructure in nature and were constructed to entice development within the District. Financing instruments, such as capital appreciation bonds, were used in order to defer the repayment of the debt until a sufficient tax base was developed to support the debt payments;
- The District's total general revenues were \$29.5 million for the year ended September 30, 2019, substantially all of which were property taxes;
- The District's total program revenues were \$6.2 million for the year ended September 30, 2019, of which \$2.0 million were water sales revenue, \$1.6 million were charges for services and \$2.6 million were intergovernmental revenue;
- The total cost of the District's programs decreased 1.0% to \$16.6 million. Governmental activities expenses increased \$486 thousand while business-type activities decreased \$660 thousand. Interest expense decreased \$621 thousand; and
- The fund balance for all governmental funds totaled \$9.8 million. This amount is \$3.1 million higher than September 30, 2018 balance. Excess revenues over expenditures was \$3,118,220.

### Overview of the Financial Statements

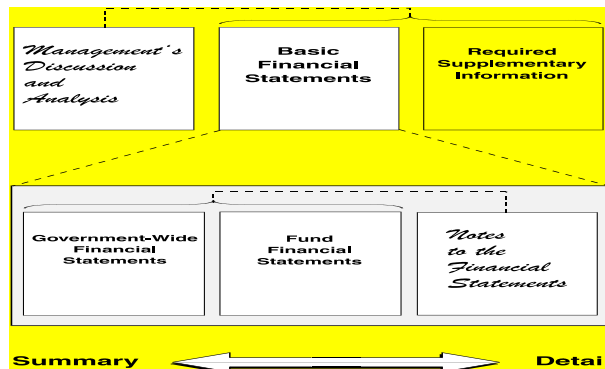
This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

**Figure A-1. Required Components of the District's Annual Financial Report**



**Proprietary Funds.** *Proprietary fund* statements offer short- and long-term financial information about the activities the District operates like businesses, such as water supply.

**Fiduciary Funds.** *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

**Notes to the Financial Statements.** The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

| <b>Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements</b> |  |  |   |  |
|---|--|--|---|--|
| <i>Type of Statements</i>   | <b>Fund Statements</b>   |  |   |  |
|   | <b>Government-wide</b>   | <b>Governmental Funds</b>  | <b>Proprietary Funds</b>  | <b>Fiduciary Funds</b>   |
| <i>Scope</i>  | Entire District's government (except fiduciary funds)                              | The activities of the district that are not proprietary or fiduciary   | Activities the district operates similar to private businesses: self insurance                  | Instances in which the district is the trustee or agent for someone else's resources   |
| <i>Required financial statements</i>  | ♦ Statement of net position  | ♦ Balance sheet  | ♦ Statement of net position   | ♦ Statement of fiduciary net position  |
|   | ♦ Statement of activities  | ♦ Statement of revenues, expenditures & changes in fund balances   | ♦ Statement of revenues, expenses and changes in fund net position<br>♦ Statement of cash flows | ♦ Statement of changes in fiduciary net position   |
| <i>Accounting basis and measurement focus</i>   | Accrual accounting and economic resources focus                                    | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus   | Accrual accounting and economic resources focus  |
| <i>Type of asset/liability information</i>  | All assets and liabilities, both financial and capital, short-term and long-term   | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included  | All assets and liabilities, both financial and capital, and short-term and long-term            | All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can |
| <i>Type of inflow/outflow information</i>   | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid              | All revenues and expenses during year, regardless of when cash is received or paid   |

**Government-Wide Statements.** The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and deferred outflows and liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how it has changed. Measuring net position, the difference between the District's assets and deferred outflows and liabilities and deferred inflows, is one way to analyze the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively; and
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as flood control, maintenance of lakes and channels, operation of the transit system, and general administration. Property taxes finance most of these activities. The government-wide financial statements also include *Business-type activities*, which is the District's raw water supply function.

**Fund Financial Statements.** The fund financial statements provide more detailed information about the District's most significant *funds*, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Directors establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes. Funds of the District can be classified in three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental Funds.** Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them. The District maintains two governmental funds, the General Fund and Debt Service Fund.
- **Proprietary Funds.** The District maintains two types of proprietary funds: enterprise funds and internal service funds. Services for which the District charges customers a fee are generally reported in enterprise funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The District uses *internal service funds* to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self Insurance Fund and Vehicle Maintenance Fund.
- **Fiduciary Funds.** The District is the trustee, or *fiduciary*, for certain funds. The District reports the employee pension plan in a pension trust fund. The District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**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 immediately following the basic financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to the employees and certain budgetary comparison schedules. Required supplemental information can be found after the notes to the financial statements.

The combining statements referred to earlier are presented following the required supplementary information.

## Financial Analysis of the District as a Whole

**Net position.** The District's net position at September 30, 2019 and 2018 for governmental activities and business-type activities was approximately \$(153.3) million and \$6.2 million respectively. (See Table A-1).

**Table A-1**  
**The District's Net Position**

|   | Governmental<br>Activities |                   | Total<br>Change  | Business-Type<br>Activities |               | Total         |
|---|----------------------------|-------------------|------------------|-----------------------------|---------------|---------------|
|   | 2019                       | 2018              |                  | 2019                        | 2018          |               |
| Current and other assets                | \$ 19.9                    | \$ 7.8            | 155.13 %         | \$ 4.2                      | \$ 3.6        | 16.67 %       |
| Capital assets                          | 38.2                       | 39.5              | (3.29)           | 2.1                         | 2.3           | (8.70)        |
| Total assets                            | 58.1                       | 47.3              | 22.83            | 6.3                         | 5.9           | 6.78          |
| Total deferred outflows<br>of resources | 5.2                        | 5.5               | (5.45)           | 0.1                         | 0.1           | 0.00          |
| Current liabilities                     | 25.4                       | 14.9              | 70.47            | 0.1                         | 0.2           | (50.00)       |
| Long-term liabilities                   | 190.8                      | 209.6             | (8.97)           | -                           | -             |               |
| Total liabilities                       | 216.2                      | 224.5             | (3.70)           | 0.1                         | 0.2           | (50.00)       |
| Total deferred inflows<br>of resources  | 0.4                        | 0.2               | 100.00           | 0.1                         | 0.1           | 0.00          |
| Net position                            |                            |                   |                  |                             |               |               |
| Net investment in<br>capital assets     | (74.4)                     | (75.8)            | (1.85)           | 2.1                         | 2.3           | (8.70)        |
| Unrestricted                            | (78.9)                     | (96.1)            | (17.90)          | 4.1                         | 3.4           | 20.59         |
| <b>Total Net Position</b>               | <b>\$ (153.3)</b>          | <b>\$ (171.9)</b> | <b>(10.82) %</b> | <b>\$ 6.2</b>               | <b>\$ 5.7</b> | <b>0.02 %</b> |

The unrestricted net position represents obligations that will be funded by the programs of the District in future years.

The District's liabilities and deferred inflows for government activities exceed its assets and deferred outflows resulting in a deficit of \$153.3 million. The main reason for the deficit is the interest accretion on capital appreciation bonds. The District was created to construct certain infrastructure in an undeveloped area in order to entice development within the District. Financing instruments, such as capital appreciation bonds, were used in order to defer the repayment of the debt until after sufficient tax base was developed to support the debt payments. That has in fact occurred as the tax base within the District now exceeds \$4.7 billion. The District expects to pay off the debt from collection of future property tax levies.

**Changes in net position.** The District's total revenues were \$35.7 million. Eighty-one percent of the District's revenue comes from taxes. (See Figure A-3.) Another ten percent relates to charges for services and seven percent relates to intergovernmental revenues.

The total cost of all programs and services was \$16.5 million; 33.3% of these costs are for interest expense.

**Governmental Activities.** Property tax rates decreased 13.77 cents to \$1.1113 while the total tax base increased to over \$4.2 billion, resulting in an increase of tax revenue to \$29.0 million.

Figure A-3  
District Sources of Revenue for Fiscal Year 2019

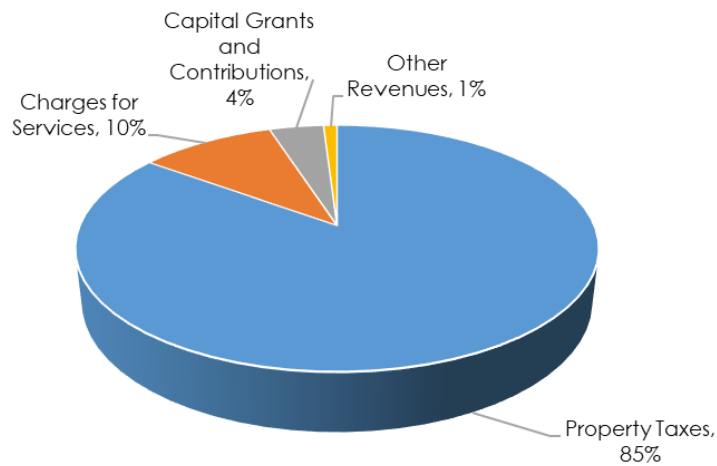


Table A-2  
Changes in the District's Net Position  
(in millions of dollars)

|   | Governmental Activities |                   | Total % Change   | Business-Type Activities |               | Total % Change |
|---|-------------------------|-------------------|------------------|--------------------------|---------------|----------------|
|   | 2019                    | 2018              |                  | 2019                     | 2018          |                |
| <b>Revenues</b>                                   |                         |                   |                  |                          |               |                |
| Program revenues:                                 |                         |                   |                  |                          |               |                |
| Charges for services                              | \$ 1.7                  | \$ 1.5            | 13.33 %          | \$ 1.9                   | \$ 2.0        | (5.00) %       |
| Capital grants and contributions                  | 2.6                     | 1.2               | 116.67           | -                        | -             | -              |
| General revenues:                                 |                         |                   |                  |                          |               |                |
| Property taxes                                    | 29.0                    | 27.8              | 4.32             | -                        | -             | -              |
| Other   | 0.4                     | 0.2               | 100.00           | 0.1                      | 0.1           | -              |
| <b>Total revenues</b>                             | <b>33.7</b>             | <b>30.7</b>       | <b>9.77</b>      | <b>2.0</b>               | <b>2.1</b>    | <b>(4.76)</b>  |
| <b>Expenses</b>                                   |                         |                   |                  |                          |               |                |
| General government                                | 0.7                     | 0.6               | 16.67            | -                        | -             | -              |
| Finance and administration                        | 1.0                     | 1.1               | (9.09)           | -                        | -             | -              |
| Systems maintenance                               | 4.6                     | 4.2               | 9.52             | -                        | -             | -              |
| Reclamation maintenance                           | -                       | -                 | -                | -                        | -             | -              |
| Area personal transit system                      | 2.0                     | 2.1               | (4.76)           | -                        | -             | -              |
| Service center operation                          | 0.2                     | 0.2               | -                | -                        | -             | -              |
| Rehabilitation                                    | 1.0                     | 0.7               | 42.86            | -                        | -             | -              |
| Pension expense                                   | -                       | (0.7)             | (100.00)         | -                        | -             | -              |
| Interest expense                                  | 5.5                     | 6.7               | (17.91)          | -                        | -             | -              |
| Raw water supply                                  | -                       | -                 | -                | 1.5                      | 2.2           | (31.82)        |
| <b>Total expenses</b>                             | <b>15.0</b>             | <b>14.7</b>       | <b>2.04</b>      | <b>1.5</b>               | <b>2.2</b>    | <b>(31.82)</b> |
| Excess (deficiency) of revenues over expenditures | 18.7                    | 16.0              | 16.88            | 0.5                      | (0.1)         | (600.00)       |
| Transfers in (out)                                | -                       | -                 | -                | -                        | -             | -              |
| Change in net position                            | 18.7                    | 16.0              | 0.01             | 0.5                      | (0.1)         | (600.00)       |
| Net position - beginning, as restated             | (172.0)                 | (188.0)           | (8.51)           | 5.7                      | 5.8           | (1.72)         |
| <b>Net position - ending</b>                      | <b>\$ (153.3)</b>       | <b>\$ (172.0)</b> | <b>(10.87) %</b> | <b>\$ 6.2</b>            | <b>\$ 5.7</b> | <b>8.77 %</b>  |

## Financial Analysis of The District's Funds

Revenues for governmental funds totaled \$34.7 million, up \$3.2 million from the preceding year. Tax revenues increased \$1.3 million from 2018 to 2019 while intergovernmental and other revenues increased \$2.0 million from 2018 to 2019. Property tax collections, the largest source of revenue received by the District, was \$29.1 million. The taxable value of property within the District increased 10% while the tax rate was decreased by \$.1377.

Expenditures for governmental funds totaled \$31,626,075 during 2018-2019 and \$30,567,371 during 2017-2018, a increase of \$1,058,704 from 2017-2018.

The governmental funds reported a combined fund balance of \$9,776,234, an increase of \$3,118,220. The net increase of the combined fund balances was comprised of fund balance increase in the General Fund of \$3,117,639, and fund balance increase in the Debt Service Fund of \$581. Out of the combined fund balances, \$7,627,466 constitutes unassigned fund balance. The remainder of the fund balances of \$35,430, \$33,325 and \$2,080,013 is restricted for payment of principal and interest on the District's general obligation debt, nonspendable, and assigned for capital projects, respectively.

The General Fund is the primary operating fund of the District. At September 30, 2019, unassigned fund balance of the General Fund was \$7,627,466. This fund balance represents 83.9% of the total General Fund expenditures. The fund balance of the General Fund increased during the current fiscal year by \$3,117,639.

The Debt Service Fund had a total fund balance of \$35,430, all of which is restricted for the payment of debt service. The District makes semi-annual debt service interest payments and principal payments in February of each year. Debt service payments for the year ended September 30, 2019, included all scheduled payments.

**Proprietary Funds.** The District maintains both enterprise and internal service funds. Information is presented separately in the proprietary fund statement of net position and in the proprietary fund statement of revenues, expenses, and changes in net position for the Raw Water Supply Fund, which is considered to be a major fund. Net position in the Raw Water Supply Fund as of September 30, 2019, was \$6,193,629. Of this amount, \$2,117,380 represented the net investment in capital assets. Net position for the fiscal year increased by \$488,029.

### General Fund Budgetary Highlights

The District did not revise its budget during the year. Actual expenditures were \$1,364,177 below final budget amounts while revenues were \$1,216,638 above the final budgeted amount. Budgeted final taxable values were slightly above expectations following taxpayer protest and appraisal review board hearings resulting in taxes collected of \$263,465 more than budgeted. The lower than budgeted expenditures were due mainly to deferred dredging projects and capital projects in the amount of \$411,650 and \$692,445 respectively. Two projects for emergency generators and APT System upgrades will be continued in fiscal year 2020.

## Capital Assets and Debt Administration

**Capital Assets.** At the end of 2019, the District had invested \$132.0 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount is increased \$611,620 from last year.

**Table A-3  
District's Capital Assets**

|                                   | Governmental   |                |                   | Business-Type |               |                   |
|-----------------------------------|----------------|----------------|-------------------|---------------|---------------|-------------------|
|                                   | Activities     |                | Total %<br>Change | Activities    |               | Total %<br>Change |
|                                   | 2019           | 2018           |                   | 2019          | 2018          |                   |
| Land                              | \$ 16.6        | \$ 16.6        | - %               | \$ -          | \$ -          | - %               |
| Buildings and improvements        | 4.1            | 4.1            | -                 | -             | -             | -                 |
| Vehicles, furniture and equipment | 2.0            | 1.7            | 17.65             | 0.8           | 0.8           | -                 |
| Flood control system              | 48.4           | 48.4           | -                 | -             | -             | -                 |
| Area personal transit system      | 38.8           | 38.8           | -                 | -             | -             | -                 |
| Engineering fees                  | 11.5           | 11.5           | -                 | -             | -             | -                 |
| Water and sewer systems           | 2.7            | 2.4            | 12.50             | 7.1           | 7.1           | -                 |
| Totals at historical cost         | 124.1          | 123.5          | 0.49              | 7.9           | 7.9           | -                 |
| Total accumulated depreciation    | (85.9)         | (84.0)         | 2.26              | (5.8)         | (5.6)         | 3.57              |
| <b>Net capital assets</b>         | <u>\$ 38.2</u> | <u>\$ 39.5</u> | <u>(3.29) %</u>   | <u>\$ 2.1</u> | <u>\$ 2.3</u> | <u>(8.70) %</u>   |

The District's fiscal year 2020 capital budget projects spending another \$13,196,200 for capital projects, principally, emergency generator for flood control pump station, for APT system upgrades, replacement vehicles and equipment. More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

**Long-term Debt.** At year-end the District had \$205.1 million in bonds and notes outstanding as shown in Table A-4. More detailed information about the District's debt is presented in Note 7 to the Financial Statements.

**Table A-4  
District's Long Term Debt**

|  | Governmental<br>Activities |                 | Total %<br>Change |
|--|----------------------------|-----------------|-------------------|
|  | 2019                       | 2018            |                   |
| Bonds payable (including bond premium) | \$ 205.1                   | \$ 222.7        | (0.08) %          |
| <b>Total bonds payable</b>             | <u>\$ 205.1</u>            | <u>\$ 222.7</u> | <u>(0.08) %</u>   |

The District's underlying ratings are as follows: Moody's Investor Services "A2", Standard & Poors "A", and Fitch "AA-".

## **Economic Factors and Next Year's Budgets and Rates**

Appraised value used for the 2020 budget preparation increased \$428 million, or 10% from 2019. The increase in appraised values is primarily the result of increased taxable value of Class A commercial office buildings within the District. The taxable values are escalating due to market conditions resulting from recent sales in the area. Occupancy rates fell slightly to about 83% during the year while leasing rates continue to rise from 2018 to 2019.

New development continues in the District in a variety of markets. Several single-family neighborhoods continue to build out. A warehouse development valued at \$3 million and two multi-family residential developments valued at a total of \$57 million were completed in late 2018. During 2019, two hotel properties were started with completion expected in 2020.

These indicators were taken into account when adopting the operating budget for 2020. The general fund budget for 2020 is \$16.8 million, which is \$7.7 million more than the final 2019 actual. This increase is due mainly to budgeted capital asset purchases of \$11,127,700. Property taxes will increase approximately \$800 thousand. An 10% increase in tax values and decreasing the tax rate from \$1.1113 to \$.9856 will create this increase which will maintain the District's fund balance at 2018-2019 amounts.

Expenditures are budgeted to be \$16.8 million. If these estimates are realized, the District's budgetary general fund balance will remain constant at the close of 2020.

## **Contacting the District's Financial Management**

This financial report is designed to provide our constituents, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance and Accounting Department.



# **Basic Financial Statement**

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# Dallas County Utility and Reclamation District

## Statement of Net Position

September 30, 2019

|   | Primary Government         |                             |                         |
|---|----------------------------|-----------------------------|-------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                   |
| <b>ASSETS</b>   |                            |                             |                         |
| Cash and investments                                  | \$ 19,453,820              | \$ 3,820,843                | \$ 23,274,663           |
| Accounts receivable<br>(net of allowance of \$46,066) | 267,791                    | 345,363                     | 613,154                 |
| Accrued interest receivable                           | 33,884                     | 14,437                      | 48,321                  |
| Internal balances                                     | 20,847                     | (20,847)                    | -                       |
| Capital assets, not being depreciated                 | 16,578,594                 | -                           | 16,578,594              |
| Capital assets, net of accumulated depreciation       | 21,647,114                 | 2,117,380                   | 23,764,494              |
| Other assets  | 126,295                    | 75                          | 126,370                 |
| <b>Total assets</b>                                   | <b>58,128,345</b>          | <b>6,277,251</b>            | <b>64,405,596</b>       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                            |                             |                         |
| Related to pension plan                               | 821,979                    | 107,639                     | 929,618                 |
| Deferred loss on refunding                            | 4,405,618                  | -                           | 4,405,618               |
| <b>Total deferred outflows of resources</b>           | <b>5,227,597</b>           | <b>107,639</b>              | <b>5,335,236</b>        |
| <b>LIABILITIES</b>                                    |                            |                             |                         |
| Accounts payable and accrued liabilities              | 234,748                    | 59,688                      | 294,436                 |
| Net pension liability                                 | 582,039                    | 76,219                      | 658,258                 |
| Accrued interest payable                              | 1,153,936                  | -                           | 1,153,936               |
| Unearned revenue                                      | 9,218,141                  | -                           | 9,218,141               |
| Noncurrent liabilities:                               |                            |                             |                         |
| Due within one year                                   | 14,280,000                 | -                           | 14,280,000              |
| Due in more than one year                             | 190,800,493                | -                           | 190,800,493             |
| <b>Total liabilities</b>                              | <b>216,269,357</b>         | <b>135,907</b>              | <b>216,405,264</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                            |                             |                         |
| Related to pension plan                               | 422,705                    | 55,354                      | 478,059                 |
| <b>Total deferred inflows of resources</b>            | <b>422,705</b>             | <b>55,354</b>               | <b>478,059</b>          |
| <b>NET POSITION</b>                                   |                            |                             |                         |
| Net investment in capital assets                      | (74,391,071)               | 2,117,380                   | (72,273,691)            |
| Unrestricted  | (78,945,049)               | 4,076,249                   | (74,868,800)            |
| <b>TOTAL NET POSITION</b>                             | <b>\$ (153,336,120)</b>    | <b>\$ 6,193,629</b>         | <b>\$ (147,142,491)</b> |

The Notes to the Financial Statements are an integral part of this statement.

**Dallas County Utility and Reclamation District**

Statement of Activities

For the Fiscal Year Ended September 30, 2019

| Functions/Programs                   | Expenses             | Program Revenues     |                                  |
|--------------------------------------|----------------------|----------------------|----------------------------------|
|                                      |                      | Charges for Services | Capital Grants and Contributions |
| <b>PRIMARY GOVERNMENT</b>            |                      |                      |                                  |
| Governmental activities:             |                      |                      |                                  |
| General government                   | \$ 683,719           | \$ 108,500           | \$ 1,196,733                     |
| Finance and administration           | 1,046,625            | 408,910              | -                                |
| Systems maintenance                  | 4,527,432            | 785,908              | 1,402,703                        |
| Reclamation maintenance              | 3,447                | 2,737                | -                                |
| Area personal transit system         | 2,107,165            | -                    | -                                |
| Service center operations            | 176,352              | 383,031              | -                                |
| Rehabilitation                       | 1,041,696            | -                    | -                                |
| Pension expense                      | 27,834               | -                    | -                                |
| Interest expense                     | 5,532,373            | -                    | -                                |
| Total governmental activities        | 15,146,643           | 1,689,086            | 2,599,436                        |
| Business-type activities:            |                      |                      |                                  |
| Raw water supply                     | 1,483,484            | 1,878,600            | -                                |
| Total business-type activities       | 1,483,484            | 1,878,600            | -                                |
| <b>TOTAL PRIMARY GOVERNMENT</b>      | <u>\$ 16,630,127</u> | <u>\$ 3,567,686</u>  | <u>\$ 2,599,436</u>              |
| General revenues:                    |                      |                      |                                  |
| Taxes                                |                      |                      |                                  |
| Unrestricted investment earnings     |                      |                      |                                  |
| Total general revenues and transfers |                      |                      |                                  |
| Change in net position               |                      |                      |                                  |
| Net position, beginning              |                      |                      |                                  |
| <b>NET POSITION, ending</b>          |                      |                      |                                  |

The Notes to the Required Supplementary Information are an integral part of this statement.

**Net (Expense) Revenue and  
Changes in Fund Net Position  
Primary Government**

| <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>     |
|------------------------------------|-------------------------------------|------------------|
| \$ 621,514                         | \$ -                                | \$ 621,514       |
| (637,715)                          | -                                   | (637,715)        |
| (2,338,821)                        | -                                   | (2,338,821)      |
| (710)                              | -                                   | (710)            |
| (2,107,165)                        | -                                   | (2,107,165)      |
| 206,679                            | -                                   | 206,679          |
| (1,041,696)                        | -                                   | (1,041,696)      |
| (27,834)                           | -                                   | (27,834)         |
| (5,532,373)                        | -                                   | (5,532,373)      |
| (10,858,121)                       | -                                   | (10,858,121)     |
| -                                  | 395,116                             | 395,116          |
| -                                  | 395,116                             | 395,116          |
| (10,858,121)                       | 395,116                             | (10,463,005)     |
| 29,015,988                         | -                                   | 29,015,988       |
| 381,831                            | 92,913                              | 474,744          |
| 29,397,819                         | 92,913                              | 29,490,732       |
| 18,539,698                         | 488,029                             | 19,027,727       |
| (171,875,818)                      | 5,705,600                           | (166,170,218)    |
| \$ (153,336,120)                   | \$ 6,193,629                        | \$ (147,142,491) |

# Dallas County Utility and Reclamation District

Balance Sheet – Government Funds

September 30, 2019

|  | <u>General</u>       | <u>Debt<br/>Service</u> | <u>Governmental<br/>Funds</u> |
|--|----------------------|-------------------------|-------------------------------|
| <b>ASSETS</b>  |                      |                         |                               |
| Cash and investments   | \$ 18,902,711        | \$ -                    | \$ 18,902,711                 |
| Restricted cash and cash equivalents   | -                    | 35,430                  | 35,430                        |
| Accounts receivable (net of allowance of \$46,066):                          | 267,791              | -                       | 267,791                       |
| Accrued interest receivable  | 31,973               | -                       | 31,973                        |
| Other assets   | 33,325               | -                       | 33,325                        |
| Due from other funds   | 20,847               | -                       | 20,847                        |
| <b>TOTAL ASSETS</b>  | <u>\$ 19,256,647</u> | <u>\$ 35,430</u>        | <u>\$ 19,292,077</u>          |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>           |                      |                         |                               |
| <b>LIABILITIES</b>   |                      |                         |                               |
| Accounts payable and accrued liabilities                                     | \$ 220,632           | \$ -                    | \$ 220,632                    |
| Unearned revenue   | 9,218,141            | -                       | 9,218,141                     |
| <b>Total liabilities</b>   | 9,438,773            | -                       | 9,438,773                     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                      |                         |                               |
| Unavailable revenue  | 77,070               | -                       | 77,070                        |
| <b>Total deferred inflows of resources</b>                                   | 77,070               | -                       | 77,070                        |
| <b>FUND BALANCE</b>  |                      |                         |                               |
| Non-spendable  | 33,325               | -                       | 33,325                        |
| Restricted for debt service  | -                    | 35,430                  | 35,430                        |
| Assigned for capital projects  | 2,080,013            | -                       | 2,080,013                     |
| Unassigned   | 7,627,466            | -                       | 7,627,466                     |
| <b>Total fund balance</b>  | <u>9,740,804</u>     | <u>35,430</u>           | <u>9,776,234</u>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCE</b> | <u>\$ 19,256,647</u> | <u>\$ 35,430</u>        | <u>\$ 19,292,077</u>          |

The Notes to the Financial Statements are an integral part of this statement.

# Dallas County Utility and Reclamation District

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2019

**TOTAL FUND BALANCE - GOVERNMENTAL FUNDS** \$ 9,776,234

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 38,225,708

Certain receivables will be collected next year, but are not available soon enough to pay for current year expenditures, and therefore are reported as unavailable revenues in the funds. 77,070

Deferred outflows of resources related to loss on debt refunding and pension plan are not reported in the governmental funds 5,227,597

Deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments (422,705)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.  
Long-term liabilities at year-end consist of:

Bonds payable (205,080,493)  
Accrued interest on the bonds (1,153,936)  
Net pension liability (582,039)

Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of the internal service funds are included with governmental activities. This amount represents net position of internal service funds net of capital assets of \$302,964

596,444

**TOTAL POSITION - GOVERNMENTAL ACTIVITIES** \$ (153,336,120)

**Dallas County Utility and Reclamation District**  
Statement of Revenues, Expenditures,  
and Changes in Fund Balance – Government Funds  
For the Fiscal Year Ended September 30, 2019

|  | <u>General<br/>Fund</u> | <u>Debt Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|------------------------------|---|
| <b>REVENUES</b>  |                         |                              |   |
| Taxes  | \$ 29,115,125           | \$ -                         | \$ 29,115,125                           |
| Investment income  | 325,958                 | 47,920                       | 373,878                                 |
| Leases   | 298,128                 | -                            | 298,128                                 |
| Maintenance fees   | 84,903                  | -                            | 84,903                                  |
| Intergovernmental revenue                                    | 2,599,436               | -                            | 2,599,436                               |
| Other  | 2,272,825               | -                            | 2,272,825                               |
|  | <hr/>                   | <hr/>                        | <hr/>                                   |
| Total revenues   | 34,696,375              | 47,920                       | 34,744,295                              |
| <b>EXPENDITURES</b>  |                         |                              |   |
| Current:   |                         |                              |   |
| General government   | 735,333                 | -                            | 735,333                                 |
| Finance and administration                                   | 1,035,789               | -                            | 1,035,789                               |
| Systems maintenance  | 3,856,386               | -                            | 3,856,386                               |
| Reclamation maintenance                                      | 7,047                   | -                            | 7,047                                   |
| Area personal transit system                                 | 1,569,740               | -                            | 1,569,740                               |
| Service center operations                                    | 350,940                 | -                            | 350,940                                 |
| Rehabilitation   | 1,117,196               | -                            | 1,117,196                               |
| Principal  | -                       | 13,040,000                   | 13,040,000                              |
| Interest and fees  | -                       | 9,489,089                    | 9,489,089                               |
| Capital outlays  | 424,555                 | -                            | 424,555                                 |
|  | <hr/>                   | <hr/>                        | <hr/>                                   |
| Total expenditures   | 9,096,986               | 22,529,089                   | 31,626,075                              |
| Excess (deficiency) of revenues<br>over (under) expenditures | 25,599,389              | (22,481,169)                 | 3,118,220                               |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                         |                              |   |
| Transfers in   | -                       | 22,481,750                   | 22,481,750                              |
| Transfers (out)  | (22,481,750)            | -                            | (22,481,750)                            |
|  | <hr/>                   | <hr/>                        | <hr/>                                   |
| Total  | (22,481,750)            | 22,481,750                   | -                                       |
| Change in fund balance                                       | 3,117,639               | 581                          | 3,118,220                               |
| Fund balance, beginning                                      | 6,623,165               | 34,849                       | 6,658,014                               |
|  | <hr/>                   | <hr/>                        | <hr/>                                   |
| <b>FUND BALANCE, ending</b>                                  | <u>\$ 9,740,804</u>     | <u>\$ 35,430</u>             | <u>\$ 9,776,234</u>                     |

The Notes to the Financial Statements are an integral part of this statement.



**Dallas County Utility and Reclamation District**

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance – Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended September 30, 2019

**TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** \$ 3,118,220

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

Governmental funds report capital outlays and other capitalizable costs as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and other transactions that impact capital assets in the current period.

|                             |             |             |
|-----------------------------|-------------|-------------|
| Capital outlay expenditures | 424,555     |             |
| Depreciation expense        | (1,875,874) |             |
| Net adjustment              | (1,451,319) | (1,451,319) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues at the final level (99,137)

Governmental funds report the effect of premiums, discounts and similar items as expenditures in the period the debt was issued, whereas those amounts are deferred and amortized in the statement of activities 13,040,000

Some revenues and expenses reported in the fund level financials are deferred in the government-wide financials 3,884,714

Some expenses such as accrued interest and pension expense that are reported in the statement of activities do not require the use of current financial resources and therefore not reported as expenditures in governmental funds 44,168

Internal service funds are used by management to charge the costs of vehicle maintenance, and insurance services to individual funds. The change in net position of \$3,052 of activities of internal service funds is reported with governmental activities with the business type activities is not included at the fund level. 3,052

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 18,539,698

# Dallas County Utility and Reclamation District

## Statement of Net Position – Proprietary Funds

September 30, 2019

|   | <b>Business-Type<br/>Activities<br/>Major Fund<br/>Raw Water<br/>Supply</b> | <b>Governmental<br/>Activities<br/>Internal Service<br/>Funds</b> |
|---|---|---|
| <b>ASSETS</b>   |   |   |
| Current assets:   |   |   |
| Cash and investments  | \$ 3,820,843  | \$ 515,679  |
| Accounts receivable   | 345,363   | -   |
| Accrued interest receivable   | 14,437  | 1,911   |
| Total current assets  | 4,180,643   | 517,590   |
| Noncurrent assets:  |   |   |
| Capital assets - being depreciated  | 2,117,380   | 302,964   |
| Other assets  | 75  | 92,970  |
| Total noncurrent assets   | 2,117,455   | 395,934   |
| Total assets  | 6,298,098   | 913,524   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |   |   |
| Related to pension plan   | 107,639   | -   |
| Total deferred outflows of resources  | 107,639   | -   |
| <b>LIABILITIES</b>  |   |   |
| Current liabilities:  |   |   |
| Accounts payable and accrued liabilities  | 59,688  | 14,116  |
| Due to other funds  | 20,847  | -   |
| Total current liabilities   | 80,535  | 14,116  |
| Net pension liabilities   | 76,219  | -   |
| Total liabilities   | 156,754   | 14,116  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |   |
| Net difference between projected & actual earnings<br>on pension plan investments | 55,354  | -   |
| Total deferred inflows of resources   | 55,354  | -   |
| <b>NET POSITION</b>   |   |   |
| Net Investment in capital assets  | 2,117,380   | 302,964   |
| Unrestricted  | 4,076,249   | 596,444   |
| <b>TOTAL NET POSITION</b>   | <b>\$ 6,193,629</b>   | <b>\$ 899,408</b>   |

The Notes to the Financial Statements are an integral part of this statement.

**Dallas County Utility and Reclamation District**  
Statement of Revenues, Expenditures,  
and Changes in Net Position – Proprietary Funds  
For the Fiscal Year Ended September 30, 2019

|  | <b>Business Type<br/>Activities<br/>Major Fund</b> | <b>Governmental<br/>Activities<br/>Internal Service<br/>Funds</b> |
|--|--|---|
|  | <b>Raw Water<br/>Supply</b>                        | <b>Internal Service<br/>Funds</b>                                 |
| <b>OPERATING REVENUES</b>                |  |   |
| Water sales                              | \$ 1,875,153                                       | \$ -  |
| Insurance premiums                       | -  | 205,249   |
| Vehicle usage charges                    | -  | 147,250   |
| Other income                             | 3,447  | -   |
|  | <hr/>  | <hr/>   |
| Total operating revenues                 | 1,878,600  | 352,499   |
| <b>OPERATING EXPENSES</b>                |  |   |
| Purchased water                          | 280,172  | -   |
| Salaries, wages and benefits             | 441,915  | -   |
| Purchased and contracted services        | 79,031   | 67,408  |
| Professional fees                        | 305,544  | -   |
| Supplies and materials                   | 63,706   | 52,350  |
| Depreciation and amortization            | 188,518  | 45,908  |
| Insurance premiums                       | 12,500   | 115,700   |
| Claims paid                              | -  | 74,665  |
| Other recurring operating expenses       | 112,098  | 1,369   |
|  | <hr/>  | <hr/>   |
| Total operating expenses                 | 1,483,484  | 357,400   |
| Net operating expenses                   | 395,116  | (4,901)   |
| <b>NON-OPERATING REVENUE/EXPENSE:</b>    |  |   |
| Investment income                        | 92,913   | 7,953   |
|  | <hr/>  | <hr/>   |
| Total nonoperating revenue               | 92,913   | 7,953   |
| Change in net position                   | 488,029  | 3,052   |
| Net position - October 1, 2018           | 5,705,600  | 896,356   |
|  | <hr/>  | <hr/>   |
| <b>NET POSITION - September 30, 2019</b> | <b>\$ 6,193,629</b>                                | <b>\$ 899,408</b>   |

The Notes to the Financial Statements are an integral part of this statement.

# Dallas County Utility and Reclamation District

Statement of Cash Flows – Proprietary Funds  
For the Fiscal Year Ended September 30, 2019

|  | <u>Business-Type<br/>Activities</u>          | <u>Governmental<br/>Activities</u> |
|--|--|------------------------------------|
|  | <u>Major Fund -<br/>Raw Water<br/>Supply</u> | <u>Internal Service<br/>Funds</u>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |                                    |
| Receipts from customers and users  | \$ 1,676,223                                 | \$ 352,774                         |
| Payments to suppliers  | (1,047,727)                                  | (326,352)                          |
| Payments to employees  | (328,351)                                    | -                                  |
| Net cash provided by operating activities  | 300,145                                      | 26,422                             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                    |  |                                    |
| Purchases of capital assets  | -  | (187,066)                          |
| Net cash used in capital and related activities  | -  | (187,066)                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |                                    |
| Interest on investments  | 92,913                                       | 7,953                              |
| Purchases of investments   | (2,082,918)                                  | (630,002)                          |
| Sales of investments   | 1,646,439                                    | 652,494                            |
| Net cash provided by (used in) investing activities  | (343,566)                                    | 30,445                             |
| Net increase in cash and cash equivalents  | (43,421)                                     | (130,199)                          |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | 124,451                                      | 343,177                            |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <u>\$ 81,030</u>                             | <u>\$ 212,978</u>                  |
| <b>CASH AND CASH EQUIVALENTS</b>   | \$ 81,030                                    | \$ 212,978                         |
| <b>INVESTMENTS</b>   | 3,739,813                                    | 302,701                            |
| <b>CASH AND INVESTMENTS END OF YEAR</b>  | <u>\$ 3,820,843</u>                          | <u>\$ 515,679</u>                  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>      |  |                                    |
| Net operating income (loss)  | \$ 395,116                                   | \$ (4,899)                         |
| Adjustments to reconcile net operating income (loss) to net cash provided by operating activities: |  |                                    |
| Depreciation and amortization  | 188,518                                      | 45,908                             |
| Pension expense  | 3,728  | -                                  |
| Changes in operating assets and liabilities:   |  |                                    |
| (Increase) decrease in accounts receivable   | (196,452)                                    | -                                  |
| (Increase) decrease in accrued interest receivable   | (5,925)                                      | 275                                |
| (Increase) decrease in other assets  | -  | (10,977)                           |
| Increase (decrease) in due to other funds  | 1,281  | -                                  |
| Increase (decrease) in accounts payable  | (86,121)                                     | (3,885)                            |
| Net cash provided by operating activities  | <u>\$ 300,145</u>                            | <u>\$ 26,422</u>                   |

The Notes to the Financial Statements are an integral part of this statement.

**Dallas County Utility and Reclamation District**

Statement of Net Position – Pension Trust Fund

For the Fiscal Year Ended September 30, 2019

|  |                     |
|--|---------------------|
| ASSETS - Cash and investments                            | \$ 7,277,009        |
| <b>NET POSITION - Held in trust for pension benefits</b> | <b>\$ 7,277,009</b> |

The Notes to the Financial Statements are an integral part of this statement.

**Dallas County Utility and Reclamation District**

Statement of Changes in Net Position – Pension Trust Fund

For the Fiscal Year Ended September 30, 2019

**ADDITIONS**

|                        |                |
|------------------------|----------------|
| Employer contributions | \$ 269,370     |
| Net investment income  | <u>224,936</u> |
| Total additions        | 494,306        |

**DEDUCTIONS**

|                  |                  |
|------------------|------------------|
| Administration   | (68,198)         |
| Benefit payments | <u>(116,886)</u> |
| Total deductions | <u>(185,084)</u> |

|   |                  |
|---|------------------|
| Increase in net position held in trust for pension benefits | 309,222          |
| Net position held in trust for pension benefits, beginning  | <u>6,967,787</u> |

|  |                            |
|--|----------------------------|
| <b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS, ending</b> | <u><u>\$ 7,277,009</u></u> |
|--|----------------------------|

# Dallas County Utility and Reclamation District

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies

The accounting policies of the Dallas County Utility and Reclamation District ("District") conform to accounting principles generally accepted in the United States of America, as applicable to governments. The following is a summary of the more significant policies.

#### A. Reporting Entity

The District was created on June 27, 1972 as Dallas County Municipal Utility District No. 1 under the provision of Article XVI, Section 59, of the Constitution of Texas and Chapter 54 of the Texas Water Code to provide control, storage and restoration of the purity and sanitary condition of water within the District. The District is comprised of acreage within the area known as Las Colinas which is located wholly within the City of Irving, Texas (City).

Effective February 1, 1984, the District was reorganized, converted and confirmed as a conservation, utility and reclamation district operating under the Senate Bill No. 963 as adopted by the Legislature of the State of Texas ("Legislature") in the 1983 Regular Session. At that time, the District was renamed as the Dallas County Utility and Reclamation District. Under House Bill No. 2421 adopted by the Legislature in the 1985 Regular Session, effective August 26, 1985, the District was also empowered to design, build and construct streets and roads.

The accompanying financial statements present all activities for which the District is considered to be financially accountable. The District has one component unit, North Central Texas Energy Aggregation, Inc. (NCTEA), a not-for-profit operated by the District and designed to aggregate the bargaining power of certain District-area businesses in order to achieve better energy rates from providers. The District's governing body appoints persons to serve on the NCTEA Board. Currently two District employees, its General Manager and Chief Financial Officer, serve on the NCTEA Board. NCTEA did not have any business activity for the year. As of September 30, 2017, there were no active contracts with customers. The most recent contracts terminated in February 2007.

The District provides services related to flood control, water supply, land reclamation, transportation, and water conservation.

#### B. Basis of Presentation – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been substantially removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include charges to customers or applicants for goods, services, or privileges provided. Program revenues included in the Statement of Activities reduce the cost of the function to be financed from General Revenues. Taxes and other items not properly identified as program revenues are reported instead as general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense to each function.

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, the fiduciary funds are excluded from the government-wide financial statements because the assets of those funds are not available to fund the operations of the District. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

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

**Government-Wide Financial Statements.** The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements.** Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of the fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recognized in the current fiscal period only for debt service principal and interest payments due within thirty days in the subsequent fiscal period.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

The Proprietary Funds and the Pension Trust Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net position) is segregated into net investment in capital assets, restricted and unrestricted components. The Proprietary Funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The Proprietary Funds and the Pension Trust Fund are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. For the enterprise funds, the District applies all GASB pronouncements.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 District's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

#### D. Fund Accounting.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net position, revenues and expenditures or expenses, as appropriate. Government 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. The various funds are grouped in the basic financial statements into generic fund types as follows:

The government reports the following major governmental funds:

The *general fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The government reports the following major proprietary fund:

The *raw water supply fund* is used to account for the sale of raw water.

Additionally, the District reports the following funds:

The *internal service funds* are used to account for the financing of services provided by one department to other departments of the District on a cost-reimbursement basis.

The District's self-insurance program is accounted for in an internal service fund. The liability reported in this fund at September 30, 2019, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The District's vehicle maintenance program is also accounted for as an internal service fund.

The *pension trust fund* is used to account for assets held by the District in a trustee capacity. The District's pension trust fund is used to account for the District's retirement plan. It is accounted for using the accrual basis of accounting.

**Pensions.** 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 District's Retirement Plan and additions to/deductions from the Retirement Plan's fiduciary net position have been determined on the same basis as they're reported by the Retirement Plan. For this purpose, benefits payments and refunds are recognized when due and payable in accordance with the benefit terms. The District's contributions are recognized when due and a formal commitment to provide the contributions has been made. Investments are reported at fair value.

# Dallas County Utility and Reclamation District

## Notes to the Financial Statements

### E. Capital Assets

Capital assets, which include land, buildings, water system, equipment, furniture and fixtures, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold is a unit cost of \$5,000. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Contributed assets are recorded at fair value on date of contribution.

Capital assets of the District, excluding land, are depreciated using the straight-line method beginning in the month after they are placed in service. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

|   |           |
|---|-----------|
| Buildings, personal transit, flood control, water and sewage system, engineering fees | 40 years  |
| Equipment   | 5 years   |
| Furniture and fixtures  | 4-5 years |
| Vehicles  | 5 years   |

### F. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums, discounts, and refunding losses are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are expensed as incurred. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### G. Deferred Outflows/Inflows of Resources

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

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. The difference in projected and actual earnings on pension plan investments is deferred and amortized over a closed five-year period.

#### H. Cash and Cash Equivalents

For the purpose of cash flow statements, the District considers cash and cash equivalents to be all unrestricted cash and highly liquid investments with original maturities of three months or less.

#### I. Investments

Investments are stated at cost as of the purchase date. The District's investment portfolio contains only investments with a maturity date at time of purchase of one year or less. The District considers investments in Pools and money market accounts as investments.

#### J. Inventory

Inventory is recorded when purchased and is valued at the lower of cost (specific identification) or market. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory in the general fund consists primarily of retail sales items and supplies and is accounted for using the consumption method.

#### K. Governmental Fund Balances

The District reports governmental fund balances per GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as follows:

**Fund balance classification.** 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 District 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:

**Non-Spendable fund balance.** Assets that will never convert to cash, such as inventory and prepaid items.

**Restricted fund balance.** The portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by parties outside the District at September 30, 2019.

**Committed fund balance.** The portion of fund balance that reflects resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. At September 30, 2019, the District does not have any funds committed by formal action of the Board of Directors.

**Assigned fund balance.** The portion of fund balance that reflects resources intended for a specific purpose. Intent is expressed or authorized by the Board of Directors.

**Unassigned fund balance.** The portion of fund balances in excess of non-spendable, restricted, committed, and assigned. This classification includes the residual fund balance for the General Fund.

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

*Spending Prioritization in Using Available Resources* – when both restricted and unrestricted (i.e. committed, assigned, and unassigned) resources are available to be used for the same purpose, the District considers the restricted resources to be expended first. When all categories of unrestricted fund balance are available, the flow assumption is as follows: the committed resources get expended first, the assigned resources get expended second, and the unassigned resources get expended last.

#### L. Net Position

The District excludes accreted interest on capital appreciation bonds that was subsequently refunded by term bonds from its calculation of the net investment in capital assets.

#### M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### N. New Accounting Pronouncements

*GASB Statement No. 83. Certain Asset Retirement Obligations.* Statement 83 was issued on November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts or court judgement, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This statement became effective fiscal year 2019 and had no impact on the District's financial statements.

*GASB Statement No. 84. Fiduciary Activities.* Statement 84 was issued on January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with who a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement becomes effective for the District for the fiscal year 2020. The District has not determined the impact of this Statement.

*GASB Statement No. 85. Omnibus 2017.* Statement 85 was issued on March 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and negative goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid members contributions for OPEB
- Simplifying certain aspects of the alternative measurement method of OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This statement became effective fiscal year 2019 and had no impact on the District's financial statements.

GASB Statement No. 87. Leases. Statement 87 was issued on June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying assets. This statement becomes effective for the District fiscal year 2021. The District has not determined the impact of this statement.

GASB Statement No. 88. Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Replacements. Statement 88 was issued on April 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant terminations events with finance-related consequences, and significant subjective acceleration clauses. This statement became effective fiscal year 2019 and had no impact on the District's financial statements.

GASB Statement No. 89. Accounting for Interest Cost Incurred Before the End of a Construction Period. Statement 89 was issued on June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of the a construction period. This statement also reiterates that in financial statements that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This standard becomes effective for the District fiscal year 2020. The District has not determined the impact of this statement.

GASB Statement No. 90. Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61. Statement 90 was issued on August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method unless it is held by a special-purpose government engaged only in fiduciary activities fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. These governments and funds should measure the majority equity interest at fair value. This statement became effective fiscal year 2019 and had no impact on the District's financial statements.

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

#### Note 2. Property Taxes

Property taxes, which attach as an enforceable lien on property as of January 1, are due October 1 and become delinquent on February 1. At elections held in 1972 and 1973 the District's voters authorized the levy and collection of an unlimited annual maintenance tax for the purpose of providing funds for the maintenance of the District's work facilities and other improvements, and for paying the costs of proper service, engineering, legal fees, organization and administrative expenses and required debt service. The District's tax rate for fiscal year 2018-19 is \$1.1113 (\$0.8672 for debt service and \$0.2441 for maintenance and operations) per \$100 of assessed valuation. According to the Dallas Central Appraisal District, the total taxable assessed value of District land, property and improvements net of supplemental adjustments totaled \$4,240,590,258 for the tax year ended September 30, 2019. The revenue associated with both maintenance and debt service tax has been recorded within the General Fund with the amount of debt service tax collected reported as a transfer to the Debt Service Fund.

Taxes levied by the District against real property are a first lien and are superior to the perfected security interest of a mortgagee. Where real property is jointly and severally owned, all parties owning an interest in the real property are responsible for the total amount of taxes related thereto. The District aggressively pursues its tax revenue accounts and its historical collection rate is in excess of 99%.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, property taxes are considered an imposed non-exchange transaction. Assets from imposed non-exchange transactions are recorded when the entity has an enforceable legal claim to the asset, or when the entity receives resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date. The assessment date has been designated in the enabling legislation as the first day of the fiscal year to which they relate (October 1). Therefore, the District has not recorded a receivable for future taxes at year-end because the assessment date had not yet occurred as of fiscal year-end.

#### Note 3. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. The District's bank balance at September 30, 2019 was \$816,635 with a carrying value of \$694,846.

Investments, except for the investment pools, for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost.

The pension trust fund investments are the District's share in common trust funds of Westwood Holding Group, Inc.

**Cash Deposits.** The District's funds are required to be deposited and invested according to State statute and an adopted District Investment Policy which includes depository and custodial contract provisions. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are in compliance with the Texas Government Code, Chapter 2257 "Collateral for Public Funds".

**Investments.** The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, no-load money market mutual funds, certain municipal securities, repurchase agreements, banker's acceptances, commercial paper or investment pools.

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

For fiscal year 2019, the District invested in U.S. Government Agency securities, Texas CLASS, and TexSTAR. Texas CLASS is organized under the Sixth Amended and Restated Trust Agreement in accordance with all the requirements contained in section 2256.016 of the Act. Texas CLASS is administered by Public Trust Advisors, LLC and all funds are held by the custodial agent, Wells Fargo N.A. Texas CLASS may invest in obligations of the U.S. or its agencies and instrumentalities; repurchase agreements; SEC-registered money market funds rated in the highest rating category by at least one NRSRO; and commercial paper rated A-1, P-1 or equivalent by two nationally recognized rating agencies. TexSTAR: J.P. Morgan Investment Management Inc. and First Southwest Company serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. J.P. Morgan Investment Management Inc. provides investment management services, and First Southwest Company provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. TexSTAR is Texas Short Term Asset Reserve Program organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The primary objectives of TexSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet participants' needs, diversification to avoid unreasonable or avoidable risks, and yield.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District has recurring fair value measurements as presented in the table below. The District's investment balances and weighted average maturity of such investments are as follows:

|   | Fair Value Measurements Using |   |  |  |                                    |  |
|---|-------------------------------|---|--|--|------------------------------------|--|
|   | September 30,<br>2019         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Significant<br>Other<br>Unobservable<br>Inputs (Level 3) | Percent of<br>Total<br>Investments | Weighted<br>Average<br>Maturity (Days) |
| Investments not subject to level reporting: |                               |   |  |  |                                    |  |
| Investment Pools:                           |                               |   |  |  |                                    |  |
| Texas CLASS                                 | \$ 10,747,384                 | \$ -  | \$ -   | \$ -   | 47.60%                             | 50                                     |
| TexSTAR                                     | 1,158,295                     | -   | -  | -  | 5.13%                              | 18                                     |
| Investments by Fair Value Level:            |                               |   |  |  |                                    |  |
| U.S. Government Agency Securities:          |                               |   |  |  |                                    |  |
| Federal Home Loan Mortgage Corp.            | 4,177,540                     | -   | 4,177,540  | -  | 18.50%                             | 157                                    |
| Federal Home Loan Bank                      | 6,437,315                     | -   | 6,437,315  | -  | 28.51%                             | 195                                    |
| Money Market accounts                       | 59,283                        | -   | 59,283   | -  | 0.26%                              | 1                                      |
| <b>Total value</b>                          | <b>\$ 22,579,817</b>          | <b>\$ -</b>   | <b>\$ 10,674,138</b>                                   | <b>\$ -</b>  |                                    |  |

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

*Investment Pools* are measured at amortized cost and are exempt for fair value level reporting.

*U.S. Government Agency Securities* classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Texas CLASS investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texas CLASS have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

The TexStar investment pools are external investment pools measured at their net asset value. TexStar's strategy are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pools. TexStar have a redemption notice period of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 275 days (9 months), diversification, and by holding securities to maturity. In addition, the District shall not directly invest in an individual security maturing more than three years from the date of purchase.

*Custodial Credit Risk.* The District's agent holds securities in the District's name; therefore, the District is not exposed to custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker/dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that the investments of the District shall be secured through third-party custodial and safekeeping procedures as designated by the District.

*Credit Risk.* The District's Investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." As of September 30, 2018, the Texas Class local government investment pool was rated AAAM and the TexStar local government investment pool was rated AAAM both by Standard and Poor's. Both local government investment pools were managed as SEC 2a-7 like funds. The Federal National Mortgage Assn., and Federal Home Loan Bank discount notes were issued or guaranteed by the US Federal Government, which is rated AA



## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

Concentration of Credit Risk. The District's investment policy places no limit on the amount the District may invest in any one issuer. However, the District's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments. The District's portfolio is 5% in Federal Home Loan Bank Notes and 14% in Federal Home Loan Mortgage Corp Discount Notes as of September 30, 2019. The remainder (81%) of the District's investments is invested in government pools and money market funds.

The fair value of the investments in U.S. Government Agency securities is based on quoted market prices. The investments are reported by the District at book value. The amount of increase in the fair value of these investments during the year ended September 30, 2019, is not included in investment earnings.

|   |                          |
|---|--------------------------|
| Investment earnings                       | \$ 447,756               |
| Net increase in fair value of investments | <u>26,988</u>            |
| <b>Total investment earnings</b>          | <b><u>\$ 474,744</u></b> |

*Pension Trust Fund:* The Pension Trust Fund maintains a separate investment policy. The Plan shall invest in common trust funds of Westwood Holding Group, Inc. The plan document grants the authority to establish and amend the Plan to the employer through a plan administrator.

#### Note 4. Accounts Receivable

Receivables at September 30, 2019, were as follows:

|   | Governmental<br>Activities and<br>Governmental<br>Funds | Business-Type<br>Activities |
|---|---|-----------------------------|
| Receivables:                            |   |                             |
| Property taxes                          | \$ 119,810  | \$ -                        |
| Other receivables                       | <u>193,987</u>  | <u>345,363</u>              |
| Total receivables                       | 313,797   | 345,363                     |
| Gross receivables:                      |   |                             |
| Less allowance for uncollectible amount | <u>(46,006)</u>   | <u>-</u>                    |
| <b>Net total receivables</b>            | <b><u>\$ 267,791</u></b>                                | <b><u>\$ 345,363</u></b>    |

# Dallas County Utility and Reclamation District

## Notes to the Financial Statements

### Note 5. Interfund Transactions

Interfund balances at September 30, 2019, consist of the following individual fund receivables and payables:

| Fund                                | Receivables      | Payables         |
|-------------------------------------|------------------|------------------|
| General Fund:                       |                  |                  |
| Raw Water Supply - Enterprise Fund  | \$ 20,847        | \$ -             |
| Raw Water Supply - Enterprise Fund: |                  |                  |
| General Fund                        | -                | 20,847           |
| <b>Total</b>                        | <b>\$ 20,847</b> | <b>\$ 20,847</b> |

All interfund receivables and payables arise for general operating purposes and are paid in full from one fiscal year to the next.

Interfund transfers in and out consist of the following:

|                | Transfers In         |
|----------------|----------------------|
|                | Debt                 |
|                | Service              |
| Transfers out: |                      |
| General fund   | \$ 22,481,750        |
| <b>Total</b>   | <b>\$ 22,481,750</b> |

Transfer from General Fund to Debt Service Fund is to transfer an amount sufficient to pay debt service (principal, interest and paying agent fees) on outstanding general obligation bonds. Transfers are made based on the actual debt service property tax collected during the year plus any additional amounts required to make principal and interest payments.

# Dallas County Utility and Reclamation District

## Notes to the Financial Statements

### Note 6. Capital Assets

A summary of capital assets activity during the fiscal year ended September 30, 2019:

|  | Balance<br>October 1,<br>2018 | Transfers/<br>Additions | Transfers/<br>Deletions | Balance<br>September 30,<br>2019 |
|--|-------------------------------|-------------------------|-------------------------|----------------------------------|
| Governmental activities:                           |                               |                         |                         |                                  |
| Capital assets, not being depreciated:             |                               |                         |                         |                                  |
| Land   | \$ 16,578,594                 | \$ -                    | \$ -                    | \$ 16,578,594                    |
| Total capital assets not being depreciated         | 16,578,594                    | -                       | -                       | 16,578,594                       |
| Capital assets, being depreciated:                 |                               |                         |                         |                                  |
| Buildings  | 4,125,094                     | 10,185                  | -                       | 4,135,279                        |
| Flood control system                               | 48,388,994                    | (483,108)               |                         | 47,905,886                       |
| Water system                                       | 1,817,610                     |                         |                         | 1,817,610                        |
| Sewage system                                      | 542,462                       |                         |                         | 542,462                          |
| Area personal transit system                       | 38,825,241                    |                         |                         | 38,825,241                       |
| Furniture and equipment                            | 963,574                       | 208,439                 |                         | 1,172,013                        |
| Capitalized system engineering fees                | 11,472,529                    |                         |                         | 11,472,529                       |
| Vehicles   | 764,999                       | 94,245                  |                         | 859,244                          |
| Construction in Progress                           | -                             | 781,859                 |                         | 781,859                          |
| Total capital assets being depreciated             | 106,900,503                   | 611,620                 | -                       | 107,512,123                      |
| Less accumulated depreciation for:                 |                               |                         |                         |                                  |
| Buildings  | 3,199,854                     | 103,167                 |                         | 3,303,021                        |
| Flood control system                               | 34,825,273                    | 1,001,326               |                         | 35,826,599                       |
| Water system                                       | 1,813,738                     | 297                     |                         | 1,814,035                        |
| Sewage system                                      | 542,462                       | -                       |                         | 542,462                          |
| Area personal transit system                       | 33,183,123                    | 470,944                 |                         | 33,654,067                       |
| Furniture and equipment                            | 846,595                       | 40,100                  |                         | 886,695                          |
| Capitalized system engineering fees                | 8,928,990                     | 261,586                 |                         | 9,190,576                        |
| Vehicles   | 603,193                       | 44,361                  |                         | 647,554                          |
| Total accumulated depreciation                     | 83,943,228                    | 1,921,781               | -                       | 85,865,009                       |
| Total capital assets being depreciated, net        | 22,957,275                    | (1,310,161)             | -                       | 21,647,114                       |
| <b>Governmental activities capital assets, net</b> | <b>\$ 39,535,869</b>          | <b>\$ (1,310,161)</b>   | <b>\$ -</b>             | <b>\$ 38,225,708</b>             |

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

Included in capital assets above are internal service fund capital assets with original cost of \$952,065 and accumulated depreciation of \$649,100.

|  | Balance<br>October 1,<br>2018 | Transfers/<br>Additions | Transfers/<br>Deletions | Balance<br>September 30,<br>2019 |
|--|-------------------------------|-------------------------|-------------------------|----------------------------------|
| Business-type activities:                    |                               |                         |                         |                                  |
| Capital assets being depreciated:            |                               |                         |                         |                                  |
| Water systems                                | \$ 7,132,237                  | \$ -                    | \$ -                    | \$ 7,132,237                     |
| Vehicles, furniture and equipment            | 770,825                       | -                       | -                       | 770,825                          |
| Total capital assets being depreciated       | 7,903,062                     | -                       | -                       | 7,903,062                        |
| Less accumulated depreciation for:           |                               |                         |                         |                                  |
| Water systems                                | 4,852,833                     | 178,306                 | -                       | 5,031,139                        |
| Vehicles, furniture and equipment            | 744,331                       | 10,212                  | -                       | 754,543                          |
| Total accumulated depreciation               | 5,597,164                     | 188,518                 | -                       | 5,785,682                        |
| <b>Capital assets being depreciated, net</b> | <b>\$ 2,305,898</b>           | <b>\$ (188,518)</b>     | <b>\$ -</b>             | <b>\$ 2,117,380</b>              |

Depreciation expense related to governmental activities was charged to governmental functions as follows:

|                              |                     |
|------------------------------|---------------------|
| General government           | \$ 8,386            |
| Finance and administration   | 8,386               |
| Systems maintenance          | 1,348,324           |
| Area personal transit system | 537,425             |
| Service center operations    | 19,260              |
| <b>Total</b>                 | <b>\$ 1,921,781</b> |

### Note 7. Long-Term Debt

The District issued \$31,660,000 Unlimited Tax Refunding Bonds, Series 2012 ("Series 2012 Bonds") in November, 2012 to refund Unlimited Tax Refunding Bonds, Series 2003. The advance refunding resulted in additional principal and interest payments of \$7,033,221 over the life of the bonds. This refunding resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$6,391,693.

The District issued \$34,215,000 Unlimited Tax Refunding Bonds, Series 2013 ("Series 2013 Bonds") in April, 2013 to refund Unlimited Tax Refunding Bonds, Series 2007. The advance refunding resulted in additional principal and interest payments of \$10,565,477 over the life of the bonds. This refunding resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$7,481,986.

The District issued \$155,885,000 Unlimited Tax Refunding Bonds Series 2016 ("Series 2016 Bonds") in November, 2016 to refund Unlimited Tax Refunding Bonds, Series 2005A, Series 2005B, and Series 2008. The advance refunding resulted in a reduction of payments of \$49,396,110 over the life of the bonds. This refunding resulted in an economic gain (difference between the present value of the old and the new debt service payments) of \$38,573,874.

# Dallas County Utility and Reclamation District

## Notes to the Financial Statements

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2019:

| Governmental Activities Bonds  | Balance<br>October 1,<br>2018 | Additions   | Retirements          | Balance<br>September 30,<br>2019 | Due<br>Within<br>One Year |
|--|-------------------------------|-------------|----------------------|----------------------------------|---------------------------|
| Series 2012 Unlimited Tax Refunding<br>Bonds, 5% maturing in annual installments of<br>\$7,055,000 to \$10,310,000 from<br>from 2017 through 2020  | \$ 17,185,000                 |             | \$ 6,875,000         | \$ 10,310,000                    | \$ 10,310,000             |
| Series 2013 Unlimited Tax Refunding<br>Bonds, 2% to 5% maturing in annual<br>installments of \$360,000 to \$16,560,000<br>from 2014 through 2024   | 32,315,000                    |             | 415,000              | 31,900,000                       | 430,000                   |
| Series 2016 Unlimited Tax Refunding<br>Bonds, 2% to 5% maturing in annual<br>installments of \$3,515,000 to \$27,445,000<br>from 2017 through 2028 | <u>147,175,000</u>            | <u>-</u>    | <u>5,750,000</u>     | <u>141,425,000</u>               | <u>3,540,000</u>          |
|  | 196,675,000                   | -           | 13,040,000           | 183,635,000                      | 14,280,000                |
| Unamortized Premium  | <u>25,997,759</u>             | <u>-</u>    | <u>4,552,266</u>     | <u>21,445,493</u>                |                           |
| Total governmental activities bonds  | <u>\$ 222,672,759</u>         | <u>\$ -</u> | <u>\$ 17,592,266</u> | <u>\$ 205,080,493</u>            |                           |
| Deferred loss on refunding   | <u>\$ (5,073,170)</u>         | <u>\$ -</u> | <u>\$ 667,552</u>    | <u>\$ (4,405,618)</u>            |                           |

| Year ending<br>September 30, | Governmental Activities Bonds |                      |                       |
|------------------------------|-------------------------------|----------------------|-----------------------|
|                              | Principal                     | Interest             | Total                 |
| 2020                         | \$ 14,280,000                 | \$ 8,807,950         | \$ 23,087,950         |
| 2021                         | 15,600,000                    | 8,067,513            | 23,667,513            |
| 2022                         | 17,000,000                    | 7,259,300            | 24,259,300            |
| 2023                         | 18,490,000                    | 6,375,500            | 24,865,500            |
| 2024                         | 20,075,000                    | 5,411,375            | 25,486,375            |
| 2025-2028                    | <u>98,190,000</u>             | <u>10,292,750</u>    | <u>108,482,750</u>    |
| <b>Totals</b>                | <u>\$ 183,635,000</u>         | <u>\$ 46,214,388</u> | <u>\$ 229,849,388</u> |

The District is in compliance with all bond resolutions/restrictions as of September 30, 2019.

# Dallas County Utility and Reclamation District

Notes to the Financial Statements

## Note 8. Commitments and Contingencies

### Trinity River Authority of Texas

The District has contracted with Trinity River Authority of Texas (TRA), an agency of the State of Texas, whereby TRA dedicated and pledged to reserve, deliver and sell treated raw water at the point of delivery, to the District and the District agreed to pay TRA for such delivery and reserve of raw water. At the time the contract was signed, the District became obligated to pay to TRA a debt service component which is a percentage of debt service of a certain debt issuance made by TRA to construct project facilities needed to deliver the raw water to the point of delivery. In addition, the District is obligated to make an annual operations and maintenance payment directly attributed to the delivery of water by TRA to the District: a commodity charge - take or pay based on the actual volume of water delivered to the District, and a commodity charge - standby based on 10% of the effective take or pay commodity rate. Total payments made to TRA during the year ended September 30, 2019, amounted to \$396,110.

The debt service component of the payment was paid in full in a prior year and no future debt service payments will be required.

### Other Contingencies

There are no claims or lawsuits pending against the District at September 30, 2019. Management is not aware of any contingencies that would have a material effect on the financial statements.

## Note 9. Self-Insurance Plan

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation claim and \$10,000 for each property damage claim. The Self-Insurance Fund provides general liability coverage up to the maximum legal limit of \$100,000 per individual and \$300,000 per occurrence as determined by the Texas Tort Claim Liability Act. The District purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in three previous fiscal years.

All funds of the District participate in the program and make payments to the Self-Insurance Fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$5,000 reported in the Fund at September 30, 2019, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2018 and 2019 were:

| Fiscal Year | Beginning of Fiscal Year Liability | Current year Claims and Changes in Estimates | Claim Payments | End of Fiscal Year Liability |
|-------------|------------------------------------|--|----------------|------------------------------|
| 2018        | \$ 5,000                           | \$ 41,382                                    | \$ 41,382      | \$ 5,000                     |
| 2019        | 5,000                              | 26,082                                       | 26,082         | 5,000                        |

# Dallas County Utility and Reclamation District

## Notes to the Financial Statements

### Note 10. Employees Retirement Plans

#### Retirement Plan Description

The District provides pension benefits for substantially all of the employees of the District through a single-employer, noncontributory defined benefit retirement plan ("Retirement Plan"). For the years ended September 30, 2019, 2018 and 2017 the District's payroll for employees covered by the Retirement Plan was \$2,259,302, \$2,243,821 and \$2,094,101 and total payroll was \$2,334,440, \$2,274,285, \$2,158,744 respectively. The Retirement Plan is administered by the District's Board of Directors. The District hires an outside trustee to manage the investments and make the benefit payments related to the Retirement Plan. The Retirement Plan is considered a part of the District's financial reporting entity and is included in the District's basic financial statements as a pension trust fund.

#### Benefits Provided

The Retirement Plan provides for retirement, death, and disability benefits. Employees are eligible for participation after one year of service. The normal retirement benefit for participants reaching age 65 is equal to 1.8% of average compensation multiplied by service up to 36.111 years, less 1.5% of Social Security for each year up to 33.333 years. Early retirement benefits are available for participants attaining age 55 and 5 years of service. The benefits and contribution provisions of the Retirement Plan are authorized by the District's Board of Directors.

#### Employees Covered by Benefit Terms

At January 1, 2018 measurement date, the following employees were covered by the benefit terms:

#### Summary of Population Statistics

|   |           |
|---|-----------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 13        |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits    | 21        |
| Active Plan Members   | <u>27</u> |
| Total Plan Members  | 61        |

#### Contributions

The contribution requirements of plan members and the District are established and can be amended by the District's Board of Directors. Plan members are not required to contribute to the Retirement Plan. The District is required to contribute at an actuarially determined rate; the current rate is 10.33 percent of annual covered payroll. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates are not legally or contractually limited.

#### Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of January 1, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date and rolled forward from the valuation date to the fiscal year ending September 30, 2018 using generally accepted actuarial principles. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

#### Actuarial Assumptions

The Total Pension Liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions:

|                           |                           |
|---------------------------|---------------------------|
| Inflation                 | 3.0%                      |
| Salary Increases          | 4.0%, including inflation |
| Investment Rate of Return | 7.0%                      |

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

Mortality rates were based on the RP-2000 Tables for males and females projecting out to year 2024.

#### Cost Method

The Entry Age Normal Cost Method was used in making the actuarial valuation described in this report. Under this method the normal cost is the level percentage of pay contribution that would have been required from age at date of credited service in order to fund the participant's retirement, termination and ancillary benefits if the current plan provisions regarding accrual of benefits had always been in effect. The actuarial accrued liability is the excess of the present value of future benefits over the present value of future normal costs. The present value of future benefits is determined by discounting, to the valuation date, the total future benefits cash flow from the plan to all of the current participants, using the actuarial assumptions. The present value of future normal costs is determined by discounting, to the valuation date, all of the normal costs anticipated to result from future valuation of the benefits to current participants, using the actuarial assumptions.

Provision for the social security supplement payable until age 62 for early retirement with 15 years of service was made by loading the normal cost and actuarial accrued liability by 5% for active participants.

#### Asset Valuation Method

The investments in the trust fund are valued on the basis of their fair value.

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

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

| Asset Class                      | Target Allocation | Long-Term<br>Expected Real<br>Rate of Return<br>(Arithmetic) |
|----------------------------------|-------------------|--|
| US Equity - Large Cap            | 10.00%            | 6.34%  |
| US Equity - Small/Mid Cap        | 24.00%            | 7.17%  |
| Non-US Equity - Developed        | 10.00%            | 7.07%  |
| Non-US Equity - Emerging         | 15.00%            | 9.56%  |
| US Corp Bonds - Core             | 15.00%            | 1.77%  |
| US Corp Bonds - High Yield       | 5.00%             | 4.27%  |
| Non-US Debt - Developed          | 5.00%             | 0.89%  |
| US Treasuries (Cash Equivalents) | 0.00%             | 0.35%  |
| Real Estate                      | 16.00%            | 4.99%  |
| Hedge Funds                      | 0.00%             | 3.87%  |
|                                  | 100.00%           |  |



## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

#### Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in the Net Pension Liability

|  | Increase (Decrease)            |                                    |                          |
|--|--------------------------------|------------------------------------|--------------------------|
|  | Total Pension<br>Liability (a) | Plan Fiduciary<br>Net Position (b) | Liability<br>(a) - (b)   |
| Balances at September 30, 2017                                   | \$ 6,948,811                   | \$ 6,461,376                       | \$ 487,435               |
| Changes for the year:  |                                |                                    |                          |
| Service cost   | 146,297                        | -                                  | 146,297                  |
| Interest   | 488,465                        | -                                  | 488,465                  |
| Assumption changes   | 545,699                        |                                    | 545,699                  |
| Differences between expected<br>and actual experience            | (415,447)                      | -                                  | (415,447)                |
| Contributions - employer   |                                | 232,376                            | (232,376)                |
| Contributions - employee   |                                | -                                  | -                        |
| Net investment income  | -                              | 361,815                            | (361,815)                |
| Benefit payments, including refunds of<br>employee contributions | (87,779)                       | (87,779)                           | -                        |
| Administrative expense   | -                              | -                                  | -                        |
| Other changes  | -                              | -                                  | -                        |
| Net changes  | <u>677,235</u>                 | <u>506,412</u>                     | <u>170,823</u>           |
| <b>Balances at September 30, 2018</b>                            | <u><u>\$ 7,626,046</u></u>     | <u><u>\$ 6,967,788</u></u>         | <u><u>\$ 658,258</u></u> |

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

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

|  | 1% Decrease<br>(6.0%)            | Current<br>Discount Rate<br>(7.0%) | 1% Increase<br>(8.0%) |
|--|----------------------------------|------------------------------------|-----------------------|
|  | District's net pension liability | \$ 1,644,560                       | \$ 658,258            |

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

#### Pension Plan Fiduciary Net Position

The Retirement Plan is considered a part of the District's financial reporting entity and is included in the District's basic financial statements as a pension trust fund. The Pension Trust Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Pension Trust Fund is accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The District's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

For the year ended September 30, 2019, the District recognized pension expense of \$(24,106).

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

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows<br>of Resources | Net Deferred<br>Outflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|--|
| Pension contributions after measurement date                                     | \$ 269,370                           | \$ -                                | \$ 269,370                               |
| Difference between expected and actual experience                                | 44,024                               | 321,907                             | (277,883)                                |
| Assumption Charges   | 422,833                              |                                     | 422,833                                  |
| Net difference between projected and actual earnings on pension plan investments | 193,391                              | 156,122                             | 37,269                                   |
| <b>Total</b>   | <b>\$ 929,618</b>                    | <b>\$ 478,029</b>                   | <b>\$ 451,589</b>                        |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$232,142 will be recognized as a reduction of the net pension liability for the measurement year ending September 30, 2018 (i.e. recognized in the District's financial statements as of September 30, 2018). Other amount reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| Measurement<br>Year Ended<br>September 30 |                   |
|---|-------------------|
| 2020                                      | \$ 123,731        |
| 2021                                      | 5,362             |
| 2022                                      | 21,068            |
| 2023                                      | 32,058            |
| Total                                     | <b>\$ 182,219</b> |

#### Investment Policies

The Board of the plan has elected to engage Westwood Holdings Group to manage the pension fund assets through the utilization of the diversified approach utilizing both mutual funds and common collective trust invested in a variety of asset classes. The authority for establishing and amending the investment policy decisions is the responsibility of the board of the plan. There were not significant changes in current year.

## Dallas County Utility and Reclamation District

### Notes to the Financial Statements

The plan assets are invested in diversified mutual funds and common collective trusts with no underlying investment making up more than 5% of the plan's net position. The annual money-weighted rate of return on pension plan investments is 2.23% and expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

#### Annual Required Contribution

The District's annual contribution requirement is actuarially determined by an independent actuary. Six-year trend information is as follows:

| <u>Fiscal Year Ended</u> | <u>Annual<br/>Required<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> |
|--------------------------|---|-----------------------------------|
| September 30, 2014       | \$ 111,390                                  | 451%                              |
| September 30, 2015       | 111,390                                     | 105%                              |
| September 30, 2016       | 114,760                                     | 114%                              |
| September 30, 2017       | 180,164                                     | 144%                              |
| September 30, 2018       | 198,118                                     | 117%                              |
| September 30, 2019       | 198,118                                     | 136%                              |

The District's actuarial required contributions for all years were made in accordance with plan provisions, therefore, the annual pension cost is equal to the annual required contribution (ARC), except for fiscal year 2013 when 140% was contributed to the plan. In fiscal year 2014, an additional contribution over the required contribution was made in the amount of \$334,000 to reduce the unfunded actuarial accrued liability.

#### **Schedule of the Net Pension Liability Multiyear**

| <u>FY Ending<br/>September 30,</u> | <u>Total<br/>Pension<br/>Liability</u> | <u>Plan Net<br/>Position</u> | <u>Net Pension<br/>Liability</u> | <u>Plan Net Position<br/>as a % of Total<br/>Pension Liability</u> | <u>Covered<br/>Payroll</u> | <u>Net Pension<br/>Liability as a % of<br/>Covered Payroll</u> |
|------------------------------------|--|------------------------------|----------------------------------|--|----------------------------|--|
| 2014                               | \$ 5,502,654                           | \$ 5,299,942                 | \$ 202,711                       | 96.32%   | \$ 1,956,655               | 10.36%   |
| 2015                               | \$ 5,937,205                           | \$ 5,130,692                 | \$ 806,513                       | 86.42%   | \$ 1,991,614               | 40.50%   |
| 2016                               | \$ 6,447,423                           | \$ 5,738,743                 | \$ 708,680                       | 89.01%   | \$ 2,094,101               | 33.84%   |
| 2017                               | \$ 6,948,811                           | \$ 6,461,376                 | \$ 487,435                       | 92.99%   | \$ 2,094,136               | 23.28%   |
| 2018                               | \$ 7,626,046                           | \$ 6,967,788                 | \$ 658,258                       | 91.37%   | \$ 2,243,821               | 29.34%   |

#### Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Westwood Trust. The Plan, available to all full-time, regular employees of the District who have completed one year of service, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or disability.

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**Required Supplementary Information  
(Unaudited)**

**Dallas County Utility and Reclamation District**  
Schedule of Budgetary Comparison – General Fund (Unaudited)  
For the Fiscal Year Ended September 30, 2019

|   | Budgeted Amounts    |                     | Actual              | Variance -<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|--------------------------------------|
|   | Original            | Final               |                     |                                      |
| <b>REVENUES</b>                         |                     |                     |                     |                                      |
| Taxes                                   | \$ 28,851,660       | \$ 28,851,660       | \$ 29,115,125       | \$ 263,465                           |
| Interest on deposits                    | 170,400             | 170,400             | 325,958             | 155,558                              |
| Leases                                  | 279,310             | 279,310             | 298,128             | 18,818                               |
| Maintenance fees                        | 134,000             | 134,000             | 84,903              | (49,097)                             |
| Intergovernmental revenue               | 2,082,500           | 2,082,500           | 2,599,436           | 516,936                              |
| Other                                   | 1,961,867           | 1,961,867           | 2,272,825           | 310,958                              |
| Total                                   | 33,479,737          | 33,479,737          | 34,696,375          | 1,216,638                            |
| <b>EXPENDITURES</b>                     |                     |                     |                     |                                      |
| Current:                                |                     |                     |                     |                                      |
| General government                      | 914,680             | 914,680             | 735,333             | 179,347                              |
| Finance and administration              | 847,580             | 847,580             | 1,035,789           | (188,209)                            |
| Systems maintenance                     | 4,268,036           | 4,268,036           | 3,856,386           | 411,650                              |
| Reclamation maintenance                 | 7,047               | 7,047               | 7,047               | -                                    |
| Area personal transit system            | 1,742,370           | 1,742,370           | 1,569,740           | 172,630                              |
| Service center operations               | 420,450             | 420,450             | 350,940             | 69,510                               |
| Rehabilitation                          | 1,144,000           | 1,144,000           | 1,117,196           | 26,804                               |
| Capital outlays                         | 1,117,000           | 1,117,000           | 424,555             | 692,445                              |
| Total                                   | 10,461,163          | 10,461,163          | 9,096,986           | 1,364,177                            |
| Excess of revenues<br>over expenditures | 23,018,574          | 23,018,574          | 25,599,389          | 2,580,815                            |
| <b>OTHER FINANCING (USES)</b>           |                     |                     |                     |                                      |
| Transfers out                           | (22,515,000)        | (22,515,000)        | (22,481,750)        | 33,250                               |
| Total                                   | (22,515,000)        | (22,515,000)        | (22,481,750)        | 33,250                               |
| Change in fund balance                  | 503,574             | 503,574             | 3,117,639           | 2,614,065                            |
| Fund balance, October 1, 2018           | 5,920,830           | 5,920,830           | 6,623,165           | -                                    |
| <b>FUND BALANCE, September 30, 2019</b> | <b>\$ 6,424,404</b> | <b>\$ 6,424,404</b> | <b>\$ 9,740,804</b> | <b>\$ 2,614,065</b>                  |

The Notes to the Required Supplementary Information are an integral part of this statement.

**Dallas County Utility and Reclamation District**  
Schedule of Changes in Net Pension Liability  
and Related Ratios Multiyear (Unaudited)  
For the Fiscal Year Ended September 30, 2019

|   | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total Pension Liability</b>  |                     |                     |                     |                     |                     |
| Service cost  | \$ 146,297          | \$ 130,674          | \$ 114,774          | \$ 122,484          | \$ 108,603          |
| Interest on the total pension liability   | 488,465             | 453,013             | 357,416             | 386,855             | 358,036             |
| Benefit changes   |                     | -                   | -                   | -                   | -                   |
| Difference between expected & actual experience                                   | (415,447)           | -                   | 112,175             | -                   | -                   |
| Assumption changes  | 545,699             | -                   | -                   | -                   | -                   |
| Benefit payments  | (87,779)            | (82,299)            | (74,147)            | (74,788)            | (49,956)            |
| Refunds   | -                   | -                   | -                   | -                   | -                   |
| Net change in total pension liability/(asset)                                     | 677,235             | 501,388             | 510,218             | 434,551             | 416,683             |
| Total pension liability/(asset) - beginning                                       | 6,948,811           | 6,447,423           | 5,937,205           | 5,502,654           | 5,085,971           |
| <b>TOTAL PENSION LIABILITY/(ASSET), ending (a)</b>                                | <u>\$ 6,948,811</u> | <u>\$ 6,948,811</u> | <u>\$ 6,447,423</u> | <u>\$ 5,937,205</u> | <u>\$ 5,502,654</u> |
| <b>PLAN FIDUCIARY NET POSITION</b>  |                     |                     |                     |                     |                     |
| Contributions - employer  | \$ 232,276          | \$ 260,161          | \$ 135,839          | \$ 117,820          | \$ 503,180          |
| Contributions - employee  | -                   | -                   | -                   | -                   | -                   |
| Pension plan net investment income  | 361,815             | 544,770             | 546,360             | (212,283)           | 419,891             |
| Benefit payments  | (87,779)            | (82,299)            | (74,147)            | (74,788)            | (49,956)            |
| Refunds   | -                   | -                   | -                   | -                   | -                   |
| Pension plan administrative expense   | -                   | -                   | -                   | -                   | -                   |
| Other   | -                   | -                   | -                   | -                   | -                   |
| Net change in plan fiduciary net position   | 506,312             | 722,632             | 608,052             | (169,251)           | 873,115             |
| Plan fiduciary net position - beginning   | 6,461,376           | 5,738,744           | 5,130,692           | 5,299,943           | 4,426,828           |
| <b>PLAN FIDUCIARY NET POSITION, ending (b)</b>                                    | <u>\$ 6,967,688</u> | <u>\$ 6,461,376</u> | <u>\$ 5,738,744</u> | <u>\$ 5,130,692</u> | <u>\$ 5,299,943</u> |
| <b>NET PENSION LIABILITY/(ASSET), beginning</b>                                   | 487,435             | 708,680             | 806,513             | 202,711             | 659,143             |
| <b>NET PENSION LIABILITY/(ASSET), ending (a) - (b)</b>                            | 658,258             | 487,435             | 708,680             | 806,513             | 202,711             |
| Plan fiduciary net position as a percentage<br>of total pension liability/(asset) | 91.37%              | 92.99%              | 89.01%              | 86.42%              | 96.32%              |
| Covered employee payroll  | \$ 2,243,821        | \$ 2,094,136        | \$ 2,094,102        | \$ 1,991,614        | \$ 1,765,767        |
| Contributions as a % of covered payroll   | 10.4%               | 12.4%               | 6.5%                | 5.9%                | 28.5%               |
| Net pension liability/(asset) as a percentage<br>of covered employee payroll      | 29.34%              | 23.28%              | 33.84%              | 40.50%              | 11.48%              |
| Actuarially determined contribution   | \$ 198,118          | \$ 260,161          | \$ 114,760          | \$ 114,760          | \$ 111,390          |
| Percent contributed   | 117%                | 100%                | 118%                | 103%                | 451%                |
| Annual money-weighted rate of return  | 2.23%               | 12.55%              | 9.35%               | 10.59%              | 10.17%              |

As of September 30

Note: Ten years of data not available.

The Notes to the Required Supplementary Information are an integral part of this statement.

## Dallas County Utility and Reclamation District

### Schedule of Contributions (Unaudited)

For the Fiscal Year Ended September 30, 2019

|   | <u>Fiscal Year<br/>2019</u>      | <u>Fiscal Year<br/>2018</u>    | <u>Fiscal Year<br/>2017</u>      | <u>Fiscal Year<br/>2016</u>      |
|---|----------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Actuarially determined contribution                                     | \$ 198,118                       | \$ 260,161                     | \$ 180,164                       | \$ 114,760                       |
| Contributions in relation to the<br>actuarially determined contribution | <u>232,276</u>                   | <u>232,142</u>                 | <u>264,650</u>                   | <u>135,839</u>                   |
| <b>CONTRIBUTION DEFICIENCY (EXCESS)</b>                                 | <b><u><u>\$ (34,158)</u></u></b> | <b><u><u>\$ 28,019</u></u></b> | <b><u><u>\$ (84,486)</u></u></b> | <b><u><u>\$ (21,079)</u></u></b> |
| Covered-employee payroll  | \$ 2,243,821                     | \$ 2,094,136                   | \$ 2,094,136                     | \$ 2,094,102                     |
| Contributions as a percentage of<br>covered employee payroll            | 10.3%                            | 11.1%                          | 12.6%                            | 6.5%                             |

Note: Ten years of data not available



## Dallas County utility and Reclamation District

Notes to the Required Supplementary Information (Unaudited)

### A. Budgets And Budgetary Accounting

The District maintains control over operating expenditures by the establishment of an annual operating budget which includes the General Fund, Debt Service Fund, Enterprise Fund and Internal Service Fund. The annual operating budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budget, as formally adopted by the Board of Directors, establishes the maximum authorization of operating funds to be expended by any fund. Any subsequent amendment thereto must be approved by the President of the Board of Directors and/or the Board of Directors. All unused budget authorizations lapse at the end of the year.

The General Fund balance is above the budget by \$2,614,065. This variance is due mainly to budgeted expenditure for dredging projects and capital outlays being under budget of \$413,219 and \$650,637 respectively. Intergovernmental revenue was above budget mainly to reimbursement for APT guideway repairs and Williams Square Plaza plumbing repairs. Other revenue was above budget due to additional projects for Irving Flood Control District III. Expenditures for APT System upgrades have been carried forward to 2020.

### B. Schedule Of Contributions

Valuation Date. Actuarially determined contribution rates are calculated as of October 1, which is 12 months prior to the beginning of the fiscal year in which they are contributed.

#### Methods and Assumptions Used to Determine Contribution Rates:

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry Age Normal   |
| Amortization Method           | 30 years level dollar as a Maximum, employer has historically contributed more than the minimum. |
| Remaining Amortization Period | 30 years level dollar as a Maximum, employer has historically contributed more than the minimum. |
| Asset Valuation Method        | Market Value   |
| Inflation                     | 3.00%  |
| Salary Increases              | 4.00% including inflation  |
| Investment Rate of Return     | 7.00%  |
| Retirement Age                | It was assumed that participants will retire upon becoming eligible for normal retirement.       |
| Mortality                     | The RP-2000 tables for males and females projecting out to year 2024.                            |

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## **Other Supplementary Information**

**Dallas County Utility and Reclamation District**  
 Combining Statement of Net Position – Internal Service Funds  
 For the Fiscal Year Ended September 30, 2019

|  | <u>Insurance*</u> | <u>Vehicle<br/>Maintenance</u> | <u>Total</u>      |
|--|-------------------|--------------------------------|-------------------|
| <b>ASSETS</b>                            |                   |                                |                   |
| Current assets:                          |                   |                                |                   |
| Cash and investments                     | \$ 343,951        | \$ 171,728                     | \$ 515,679        |
| Accrued interest receivable              | 1,911             | -                              | 1,911             |
| Non-current assets:                      |                   |                                |                   |
| Property, plant and equipment, net       | -                 | 302,964                        | 302,964           |
| Other assets                             | 92,970            | -                              | 92,970            |
| Total assets                             | 438,832           | 474,692                        | 913,524           |
| <b>LIABILITIES</b>                       |                   |                                |                   |
| Current liabilities:                     |                   |                                |                   |
| Accounts payable and accrued liabilities | 9,454             | 4,662                          | 14,116            |
| Total liabilities                        | 9,454             | 4,662                          | 14,116            |
| <b>NET POSITION</b>                      |                   |                                |                   |
| Net investment in capital assets         | -                 | 302,964                        | 302,964           |
| Unrestricted                             | 429,378           | 167,066                        | 596,444           |
| <b>TOTAL NET POSITION</b>                | <u>\$ 429,378</u> | <u>\$ 470,030</u>              | <u>\$ 899,408</u> |

\* This fund accounts for property, casualty and workers compensation coverage.

**Dallas County Utility and Reclamation District**  
Combining Statement of Revenues, Expenses, and  
Changes in Net Position – Internal Services Funds  
For the Fiscal Year Ended September 30, 2019

|  | <u>Insurance*</u> | <u>Vehicle<br/>Maintenance</u> | <u>Total</u>      |
|--|-------------------|--------------------------------|-------------------|
| <b>REVENUES</b>                          |                   |                                |                   |
| Insurance premiums                       | \$ 205,249        | \$ -                           | \$ 205,249        |
| Vehicle usage charges                    | -                 | 147,250                        | 147,250           |
|  | <hr/>             | <hr/>                          | <hr/>             |
| Total revenues                           | 205,249           | 147,250                        | 352,499           |
| <b>EXPENSES</b>                          |                   |                                |                   |
| Purchased and contracted services        | -                 | 67,408                         | 67,408            |
| Supplies and materials                   | -                 | 52,350                         | 52,350            |
| Depreciation                             | -                 | 45,908                         | 45,908            |
| Insurance premiums                       | 114,700           | 1,000                          | 115,700           |
| Claims paid                              | 74,665            | -                              | 74,665            |
| Other recurring operating expenses       | 513               | 856                            | 1,369             |
|  | <hr/>             | <hr/>                          | <hr/>             |
| Total expenses                           | 189,878           | 167,522                        | 357,400           |
| <b>NET OPERATING INCOME (LOSS)</b>       |                   |                                |                   |
|  | 15,371            | (20,272)                       | (4,901)           |
| <b>NON-OPERATING INCOME</b>              |                   |                                |                   |
| Interest income                          | 7,281             | 672                            | 7,953             |
|  | <hr/>             | <hr/>                          | <hr/>             |
| Total nonoperating revenue               | 7,281             | 672                            | 7,953             |
| <b>Change in net position</b>            |                   |                                |                   |
|  | 22,652            | (19,600)                       | 3,052             |
| <b>Net position - October 1, 2018</b>    |                   |                                |                   |
|  | 406,726           | 489,630                        | 896,356           |
|  | <hr/>             | <hr/>                          | <hr/>             |
| <b>NET POSITION - September 30, 2019</b> | <u>\$ 429,378</u> | <u>\$ 470,030</u>              | <u>\$ 899,408</u> |

\*This fund accounts for property, casualty and workers compensation coverage.

**Dallas County Utility and Reclamation District**  
Combining Statement of Cash Flows – Internal Service Funds  
For the Fiscal Year Ended September 30, 2019

|  | <u>Insurance</u>  | <u>Vehicle<br/>Maintenance</u> | <u>Total</u>      |
|--|-------------------|--------------------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                   |                                |                   |
| Receipts from quasi-external transactions  | \$ 205,524        | \$ 147,250                     | \$ 352,774        |
| Payments to suppliers  | (200,855)         | (125,497)                      | (326,352)         |
| Net cash provided by operating activities  | 4,669             | 21,753                         | 26,422            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</b>   |                   |                                |                   |
| Activities:  |                   |                                |                   |
| Purchase of capital assets   | -                 | (187,066)                      | (187,066)         |
| Net cash used for capital and related financing activities   | -                 | (187,066)                      | (187,066)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                   |                                |                   |
| Interest on investments  | 7,281             | 672                            | 7,953             |
| Sale of investments  | 652,494           | -                              | 652,494           |
| Purchase of investments  | (630,002)         | -                              | (630,002)         |
| Net cash provided by investing activities  | 29,773            | 672                            | 30,445            |
| Net increase (decrease) in cash and cash equivalents   | 34,442            | (164,641)                      | (130,199)         |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | 6,808             | 336,369                        | 343,177           |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <u>\$ 41,250</u>  | <u>\$ 171,728</u>              | <u>\$ 212,978</u> |
| <b>CASH AND CASH EQUIVALENTS</b>   | \$ 41,250         | \$ 171,728                     | \$ 212,978        |
| <b>INVESTMENTS</b>   | 302,701           | -                              | 302,701           |
| <b>CASH AND INVESTMENTS</b>  | <u>\$ 343,951</u> | <u>\$ 171,728</u>              | <u>\$ 515,679</u> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO<br/>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |                   |                                |                   |
| Net operating income (loss)  | \$ 15,371         | \$ (20,270)                    | \$ (4,899)        |
| Adjustments to reconcile net income (loss) to<br>net cash provided by operating activities:        |                   |                                |                   |
| Depreciation and amortization  | -                 | 45,908                         | 45,908            |
| Changes in operating assets and liabilities:   |                   |                                |                   |
| (Increase) decrease in other assets  | (10,977)          | -                              | (10,977)          |
| (Increase) decrease in accrued interest receivable   | 275               | -                              | 275               |
| Increase (decrease) in accounts payable  | -                 | (3,885)                        | (3,885)           |
| Net cash provided by operating activities  | <u>\$ 4,669</u>   | <u>\$ 21,753</u>               | <u>\$ 26,422</u>  |

**Dallas County Utility and Reclamation District**  
 Schedule of Debt Service Requirements to Maturity  
 September 30, 2019  
 (Unaudited)

| Fiscal<br>Year | Unlimited Ad Valorem<br>Tax Refunding Bonds<br>Series 2016 |                      | Unlimited Ad Valorem<br>Tax Refunding Bonds<br>Series 2012 |                   | Unlimited Ad Valorem<br>Tax Refunding Bonds<br>Series 2013 |                     | Total<br>Principal    | Total<br>Interest    |
|----------------|--|----------------------|--|-------------------|--|---------------------|-----------------------|----------------------|
|                | Principal  | Interest             | Principal  | Interest          | Principal  | Interest            |                       |                      |
| 2020           | \$ 3,540,000   | \$ 6,982,750         | \$ 10,310,000  | \$ 257,750        | \$ 430,000   | \$ 1,567,450        | \$ 14,280,000         | \$ 8,807,950         |
| 2021           | 15,155,000   | 6,515,375            |  |                   | 445,000  | 1,552,138           | 15,600,000            | 8,067,513            |
| 2022           | 16,540,000   | 5,723,000            |  |                   | 460,000  | 1,536,300           | 17,000,000            | 7,259,300            |
| 2023           | 4,485,000  | 5,197,375            |  |                   | 14,005,000   | 1,178,125           | 18,490,000            | 6,375,500            |
| 2024           | 3,515,000  | 4,997,375            |  |                   | 16,560,000   | 414,000             | 20,075,000            | 5,411,375            |
| 2025           | 21,760,000   | 4,365,500            |  |                   |  |                     | 21,760,000            | 4,365,500            |
| 2026           | 23,545,000   | 3,232,875            |  |                   |  |                     | 23,545,000            | 3,232,875            |
| 2027           | 25,440,000   | 2,008,250            |  |                   |  |                     | 25,440,000            | 2,008,250            |
| 2028           | 27,445,000   | 686,125              |  |                   |  |                     | 27,445,000            | 686,125              |
| <b>TOTAL</b>   | <u>\$ 141,425,000</u>                                      | <u>\$ 39,708,625</u> | <u>\$ 10,310,000</u>                                       | <u>\$ 257,750</u> | <u>\$ 31,900,000</u>                                       | <u>\$ 6,248,013</u> | <u>\$ 183,635,000</u> | <u>\$ 46,214,388</u> |