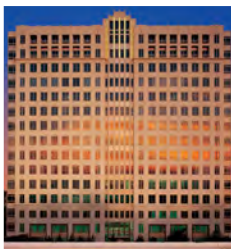


CITY OF FARMERS BRANCH, TEXAS

Comprehensive Annual Financial Report



For the Year Ended September 30, 2017



**FARMERS
BRANCH**

**City of Farmers Branch, Texas
Comprehensive Annual Financial Report**

For the Year Ended September 30, 2017

City Council:

Robert C. Dye

John Norwood

Mike Bomgardner

Ana Reyes

Bronson Blackson

Terry Lynne

Mayor

Mayor Pro Tem, District 3

Deputy Mayor Pro Tem, District 5

District 1

District 2

District 4



Farmers Branch City Council 2016-17

First row (from left) Mayor Pro Tem John Norwood, Mayor Robert C. Dye, Councilmember Terry Lynne
Second Row (from left) Deputy Pro Tem Mike Bomgardner, Councilmember Ana Reyes, Councilmember Bronson Blackson

City Manager
Charles S. Cox

Prepared by
Finance Department
Sherrelle Evans-Jones, CPA
Director of Finance

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Comprehensive Annual Financial Report
For the Year Ended September 30, 2017

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City of Farmers Branch
13000 William Dodson Parkway
Farmers Branch, Texas 75234

January 23, 2018

Honorable Mayor and City Council
City of Farmers Branch
Farmers Branch, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmers Branch, Texas for the year ended September 30, 2017. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

THE REPORT

The Texas Local Government Code (§103.001) requires annual audits of municipalities and the City Charter (Sec. 2-18) requires an annual audit of the books of account, financial records, and other evidence of transactions by a certified public accountant within 120 days of the end of the fiscal year. These requirements have been fulfilled and the independent auditors' report is included with this report for the fiscal year ended September 30, 2017.

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

Grant Thornton L.L.P. has issued an unmodified opinion on the City of Farmers Branch financial statements for the year ended September 30, 2017. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Farmers Branch (City) covers approximately 12.1 square miles and is conveniently located on Dallas' northern border. It lies in the heart of an 11-county area that has emerged as a premier commercial, financial, and trading center. Two major interstate highways (IH-35 and IH-635), the Dallas North Tollway and the President George Bush Turnpike, border the City. The Dallas/Fort Worth International Airport and the Dallas Love Field Airport are only minutes from

Farmers Branch. These factors all contribute to the favorable business climate existing within the City.

The City of Farmers Branch was incorporated in 1946 under the general laws of the State of Texas. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and five other members, all elected on a non-partisan basis. The term of office is three years, with the terms of two members expiring every year. Term limits allow two terms for at-large members and an additional two terms for an at-large member who becomes Mayor. The City Manager is the chief executive officer for the City.

Although the residential population has recently been estimated at 31,560, Farmers Branch serves a daytime population of 66,000 (per the United States Census Bureau's *American Community Survey – 5 Year Estimates*). The City provides a full range of municipal services including public safety (police and fire protection), streets, water and sanitary sewer utilities, stormwater utility, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative functions. The City of Farmers Branch also is financially accountable for Tax Increment Financing Districts No. 1 and No. 2, Tax Increment Reinvestment Zone No. 3, and the Farmers Branch Local Government Corporation, which are included as blended component units and the North Texas Emergency Communications Center, Inc. and North Dallas County Water Supply Corporation, which are included as joint ventures. Additional information on these five entities can be found in the notes to the financial statements (See Note 1.A).

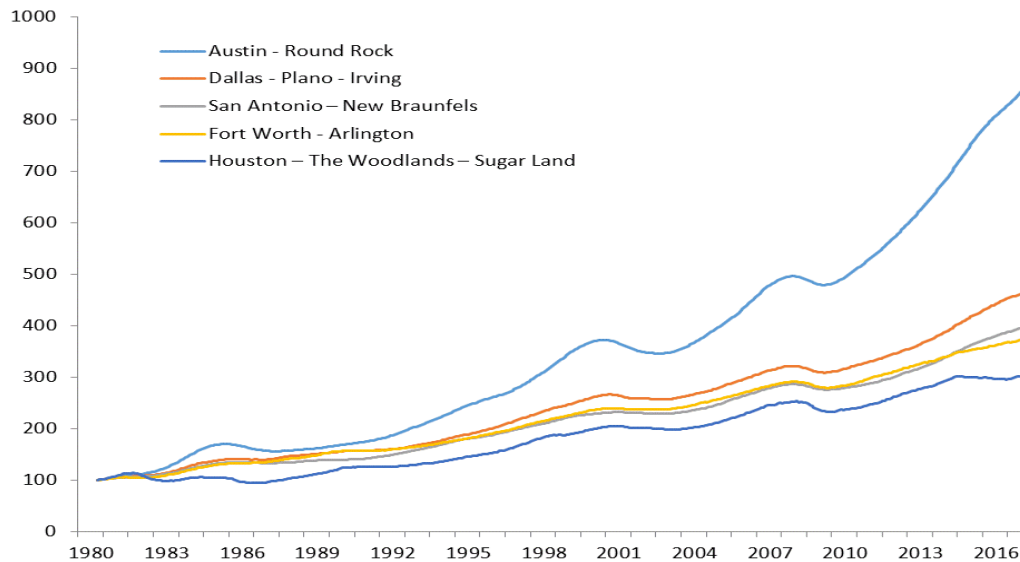
The Council enacts the budget through passage of an ordinance prior to the start of each fiscal year. This budget serves as the foundation for the City of Farmers Branch's financial planning and control. Annual budgets are prepared for all governmental funds including the general fund, debt service fund, and special revenue funds. Capital projects funds are budgeted over the life of the project. The City Manager is authorized to transfer resources within each department. Council approval is necessary for all other transfers (See Note 1.D).

LOCAL ECONOMY

According to the Federal Reserve Bank of Dallas' November 2017 Regional Economic Update, "The Dallas–Fort Worth economy continued to expand in October, with business-cycle indexes posting above-trend growth and payroll employment climbing in both metros. Unemployment in Dallas fell to its lowest level in nearly 17 years, pointing to further tightening in the labor market. Continued healthy job creation has been the driver for the DFW office and industrial markets."

Business Cycle Indexes: Major Texas Metros

Index, October 1980 = 100*



*Monthly, seasonally adjusted.

Last data entry October 2017.

SOURCE: Federal Reserve Bank of Dallas.

The City's broadly diversified economic base supports home furnishings, financial, high-tech, insurance, and telecommunications industries, and includes many of the nation's foremost businesses. Slightly more than seventy-nine percent (79.1%) of the City's tax base comes from the business community.

In fiscal year 2017, total general fund revenues of \$53.1 million represented an increase of 5.6 percent from the prior year. General fund property tax revenues increased 7.9 percent due primarily to increased residential and commercial property valuations as compared to the prior year. Licenses and permits increased by 41.8 percent due to an increase in rates and increased construction activity.

The fiscal year 2018 budget estimates that general fund revenues will increase almost \$3.9 million due to higher property values, increased building permit revenues, and increased refuse services revenue due to the expansion of the landfill. The budget emphasizes investment in infrastructure and equipment needed to continually improve basic service to citizens. The fiscal year 2018 budget details water and sewer revenues at \$2.6 million greater than fiscal year 2017 due primarily to approximately a ten percent water and sewer rate increase. Water and sewer fund expenses are projected to increase by \$1.6 million due primarily to increased water and wastewater treatment costs and increased funding for infrastructure.

LONG-TERM FINANCIAL PLANNING

Users of this document as well as others interested in the programs and services offered by the City of Farmers Branch are encouraged to read the City's 2017-2018 Fiscal Year Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. The City's budget also includes long-term financial plans for the general fund that forecasts revenues and expenditures over a five-year horizon. The document can be obtained from the City of Farmers Branch finance department by calling (972) 247-3131. The budget can also be accessed through

the City's web site at www.farmersbranchtx.gov and selecting the Finance department using the web site's "department quicklink."

RELEVANT FINANCIAL POLICIES

The City's fund balance/operating position concept continues to be an important factor in policy decisions. The concept notes that the City will strive to maintain a general fund unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual general fund expenditures plus other financing sources and uses. These monies will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining an investment-grade rating.

The City of Farmers Branch invests funds prudently and has adopted an investment policy, which is reviewed annually by the City Council as prescribed by State law. Staff provides a quarterly report of investments for Council review. The City's investment practice is to buy securities and hold them to maturity to avoid potential losses from a sale. During fiscal year 2017, the City complied with all aspects of the investment policy.

MAJOR INITIATIVES

In fiscal year 2017, construction of the Mercer Crossing planned development on the City's West Side began. The impact of this estimated \$1 billion value development will be significant. Public improvements totaling \$33 million (financed with public improvement district bonds) are being constructed. As properties are developed and sold, it is anticipated that close to 10,000 new residents and many new businesses will enter Farmers Branch creating new revenue and expanded needs for city services. This mixed-use development of 1,000 single-family homes, 2,250 apartment units, hotels, retail, office and restaurants is planned for build-out within five years.

During fiscal year 2018, the City plans to issue the remaining voter authorized Street Improvement Bonds totaling \$9 million and new Fire Station No. 2 Relocation Certificates of Obligation of approximately \$5.5 million. In November 2017, voters approved Quality of Life Bonds totaling \$15 million.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmers Branch for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016. This was the twenty-eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

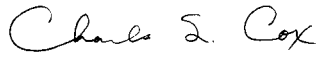
A Certificate of Achievement is valid for a period of one year only. The City believes its current CAFR continues to meet the Certificate of Achievement Program requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2016. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the finance department and our independent auditors. We would also like to express sincere appreciation to all employees who contributed to its preparation.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in black ink that reads "Charles S. Cox". The signature is written in a cursive style with a large initial 'C'.

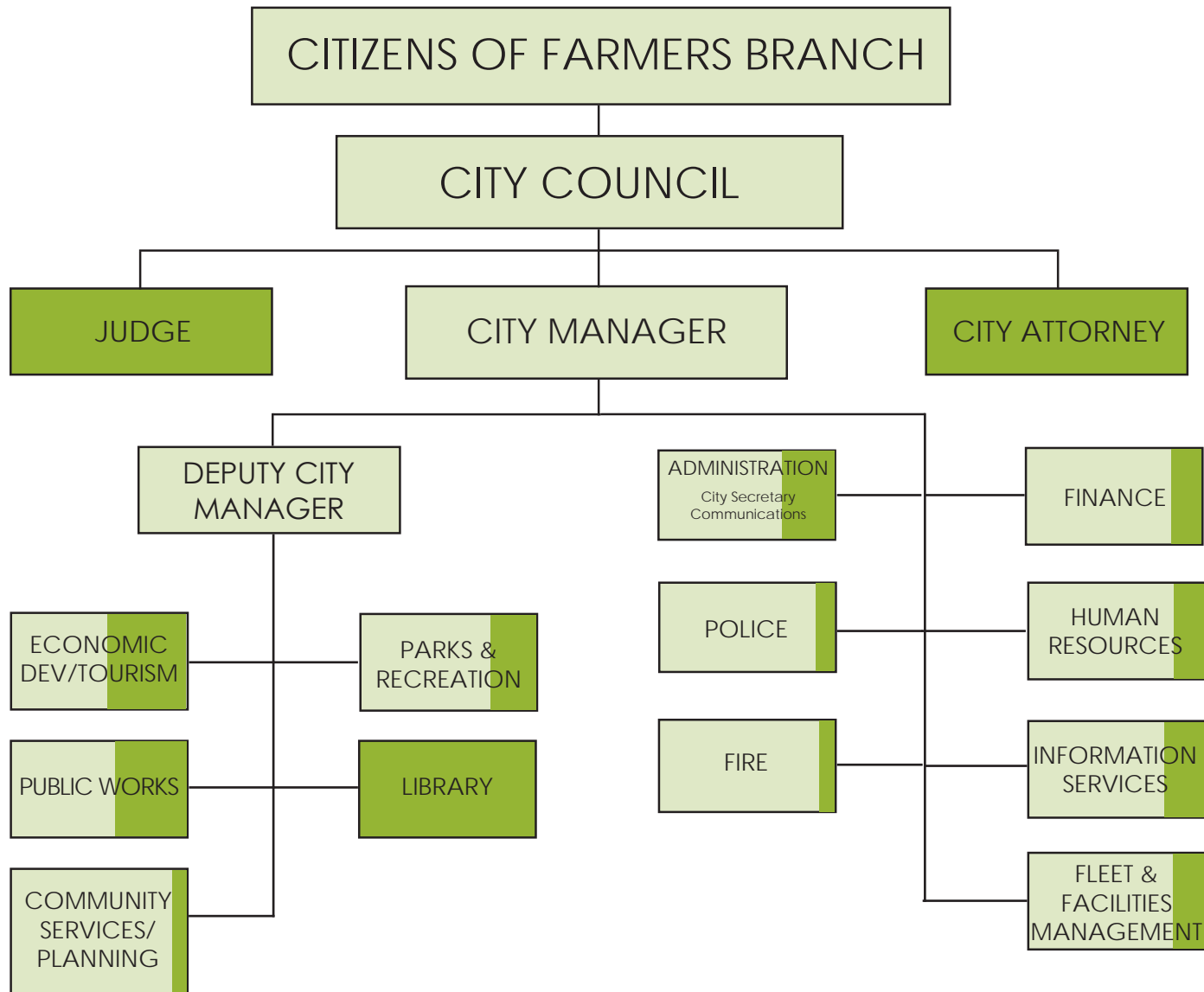
Charles S. Cox
City Manager

A handwritten signature in black ink that reads "Sherrelle Evans-Jones". The signature is written in a cursive style with a large initial 'S'.

Sherrelle Evans-Jones, CPA
Director of Finance



CITY OF FARMERS BRANCH FY 2016-17 ORGANIZATION CHART



City of Farmers Branch, Texas
List of Principal Officials

City Council

Robert C. Dye
Ana Reyes
Bronson Blackson
John Norwood
Terry Lynne
Mike Bomgardner

Mayor
District 1
District 2
Mayor Pro Tem, District 3
District 4
Deputy Mayor Pro Tem, District 5

Appointed Officials

Charles S. Cox
John Land
Terry Carnes
Amy Piukana
Tom Bryson
Hugh Pender
Allison Cook
Kevin Muenchow
Sherrelle Evans-Jones
Steve Parker
Brian Beasley
Mark Samuels
Jeff Harting
David Hale
Marc Bentley

City Manager
Deputy City Manager
City Judge
City Secretary
Communications Director
Community Services Director
Economic Development & Tourism Director
Fleet & Facilities Management Director
Finance Director
Fire Chief
Human Resources Director
Information Services Director
Parks & Recreation Director
Police Chief
Public Works Director

Council District Boundaries

FB Council District Boundary

REP

- Ana Reyes.....District 1
- Mike Bomgardner.....District 5
- Bronson Blackson....District 2
- John Norwood.....District 3
- Terry Lynne.....District 4



2,500 1,250 0 2,500 Feet



Government Finance Officers Association

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

Presented to

**City of Farmers Branch
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrell

Executive Director/CEO

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor, City Council and City Manager
The City of Farmers Branch, Texas

Grant Thornton LLP
1717 Main Street, Suite 1800
Dallas, TX 75201-4667
T 214.561.2300
F 214.561.2370
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

Report on the financial statements

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 City of Farmers Branch, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 City'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 City'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 City of Farmers Branch, Texas as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Required Supplementary Information on pages 47 through 50 (Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios, Texas Municipal Retirement System Schedule of Contributions, and Retiree Health Plan Schedule of Funding Progress) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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 City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory section, statistical section, and continuing financial disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

GRANT THORNTON LLP

Dallas, Texas
January 15, 2018

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2017
(Unaudited)

As management of the City of Farmers Branch (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The City's total combined net position as presented on the Government-wide Statement of Net Position was \$136,320,346, which represents an increase of \$10,783,545. This was primarily due to the expansion of the landfill which reduced the liability for closure / postclosure by approximately \$10,237,000.
- At the close of the fiscal year ended September 30, 2017, the City's governmental funds reported combined ending fund balances of \$31,874,090, a decrease of \$3,218,301 in comparison with the prior year. The decrease in total fund balance was primarily due to the use of bond proceeds from debt issued during previous fiscal years for street improvements.
- The unassigned fund balance for the general fund was \$10,183,899 or 20 percent of total general fund expenditures plus other financing sources and uses. This represents an increase of \$1,926,736 from the prior fiscal year.
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$13,813,160, or approximately 24 percent of total general fund expenditures.
- The City's long-term liabilities decreased \$13,696,230 during the current fiscal year mainly due to the expansion of the landfill as mentioned above and payment of debt principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

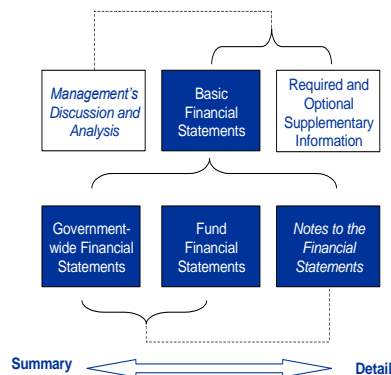
The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements can be found in Exhibit A of this report.

Required Components of City of Farmers Branch's Annual Financial Report



CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2017
(Unaudited)

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

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

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

The City maintains 23 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and street improvement bond fund which are considered to be major funds. Data from the other 21 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B of this report.

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sanitary sewer utility and stormwater utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its facilities and fleet management, workers' compensation, and health claims funds. Because these services predominantly benefit governmental rather than business-type functions they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer fund and stormwater utility fund are considered major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in Exhibit C of this report.

Notes to Basic 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 basic financial statements can be found in Exhibit D of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found in Exhibit E of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on pensions and other post-employment benefits. Combining and individual statements and schedules can be found in Exhibit F through Exhibit H of this report.

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2017
(Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position, the amount that assets and deferred outflows of resources exceeded liabilities, was \$136,320,346 at the close of the most recent fiscal year.

CONDENSED NET POSITION

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 42,809,489	\$ 46,041,510	\$ 15,039,087	\$ 12,551,124	\$ 57,848,576	\$ 58,592,634
Capital assets	132,716,678	131,263,676	40,229,500	41,617,554	172,946,178	172,881,230
Total assets	175,526,167	177,305,186	55,268,587	54,168,678	230,794,754	231,473,864
Total deferred outflows of resources	13,064,292	16,150,618	706,260	876,382	13,770,552	17,027,000
Noncurrent liabilities	87,489,670	101,205,416	2,123,815	2,104,299	89,613,485	103,309,715
Other liabilities	17,022,982	16,232,966	846,203	803,605	17,869,185	17,036,571
Total liabilities	104,512,652	117,438,382	2,970,018	2,907,904	107,482,670	120,346,286
Total deferred inflows of resources	721,867	2,482,163	40,423	135,614	762,290	2,617,777
Net position:						
Net investment in capital assets	102,598,166	98,496,787	40,158,599	41,529,619	142,756,765	140,026,406
Restricted	5,347,455	7,152,723			5,347,455	7,152,723
Unrestricted	(24,589,681)	(32,114,251)	12,805,807	10,471,923	(11,783,874)	(21,642,328)
Total net position	\$ 83,355,940	\$ 73,535,259	\$ 52,964,406	\$ 52,001,542	\$ 136,320,346	\$ 125,536,801

The largest portion of the City's combined net position in the amount of \$142,756,765 reflects its investments in capital assets (e.g., land, buildings, equipment, intangible assets, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position in the amount of \$5,347,455 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$11,783,874. The City actively manages its net position and has planned for the reduction and/or elimination of its unrestricted deficit net position in the following ways:

- 1) A major portion of the City's unrestricted deficit net position is due to approximately \$10.8 million of accrued interest payable for developer advances. This amount may be reimbursed only from the Tax Increment Financing District No. 1 ("TIF No. 1") to the extent such funds are on deposit in the fund. Current revenue projections for this fund indicate repayment of most of this accrued interest will be unlikely. The TIF No. 1 expires December 31, 2019.
- 2) Options to reduce and eventually to eliminate the "other post-employment benefits" (OPEB) deficit net position of approximately \$1.8 million have been implemented. This includes health insurance coverage options for retirees with no implicit subsidy for the City, capping existing contributions, and terminating the City contribution for employees hired after December 31, 2006.
- 3) The net pension liability is \$35.2 million and the City plans to reduce this liability in the future by making extra contributions as resources are available.

The unrestricted net position of the business-type activities is a positive balance of \$12,805,807; however, these resources cannot be used to make up a portion of the deficit in the governmental activities unrestricted net position. The City generally can only use this net position to finance continuing water and sewer operations.

Analysis of the City's Operations – During the current fiscal year, net position for governmental activities increased \$9,820,681 from the prior fiscal year for an ending balance of \$83,355,940. The expansion of the landfill and resulting decrease in the landfill liability is the primary reason for the increase in net position. The net position of the business-type activities increased \$962,864 from the prior fiscal year for an ending balance of \$52,964,406. The rates for water and sewer service were increased nine percent at the beginning of the fiscal year to offset anticipated higher production costs.

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2017
(Unaudited)

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 10,968,502	\$ 10,129,251	\$ 21,271,417	\$ 20,083,136	\$ 32,239,919	\$ 30,212,387
Operating grants and contributions	600,602	349,473			600,602	349,473
Capital grants and contributions	560,197	253,844			560,197	253,844
General revenues:						
Taxes:						
Property taxes, levied for general purposes	24,509,410	22,191,443			24,509,410	22,191,443
Property taxes, levied for debt service	4,291,764	3,926,612			4,291,764	3,926,612
Sales and use taxes	13,936,336	13,639,841			13,936,336	13,639,841
Hotel/motel taxes	2,892,655	2,959,667			2,892,655	2,959,667
Franchise taxes	4,224,063	4,314,745			4,224,063	4,314,745
Tax increment financing	3,484,012	2,183,186			3,484,012	2,183,186
Investment income	1,447,475	1,664,659	41,812	34,178	1,489,287	1,698,837
Miscellaneous	59,927				59,927	
Total revenues	66,974,943	61,612,721	21,313,229	20,117,314	88,288,172	81,730,035
Expenses:						
General government	16,573,789	14,578,536			16,573,789	14,578,536
Public safety	26,982,151	25,223,791			26,982,151	25,223,791
Public works	304,447	9,262,380			304,447	9,262,380
Culture and recreation	14,415,728	14,084,036			14,415,728	14,084,036
Interest on long-term debt	2,217,026	2,359,900			2,217,026	2,359,900
Unallocated depreciation	277,305	273,962			277,305	273,962
Water and sewer			16,086,557	15,187,138	16,086,557	15,187,138
Stormwater utility			647,624	274,895	647,624	274,895
Total expenses	60,770,446	65,782,605	16,734,181	15,462,033	77,504,627	81,244,638
Change in net position before transfers	6,204,497	(4,169,884)	4,579,048	4,655,281	10,783,545	485,397
Transfers	3,616,184	4,174,000	(3,616,184)	(4,174,000)		
Change in net position	9,820,681	4,116	962,864	481,281	10,783,545	485,397
Net position-beginning	73,535,259	73,531,143	52,001,542	51,520,261	125,536,801	125,051,404
Net position-ending	\$ 83,355,940	\$ 73,535,259	\$ 52,964,406	\$ 52,001,542	\$ 136,320,346	\$ 125,536,801

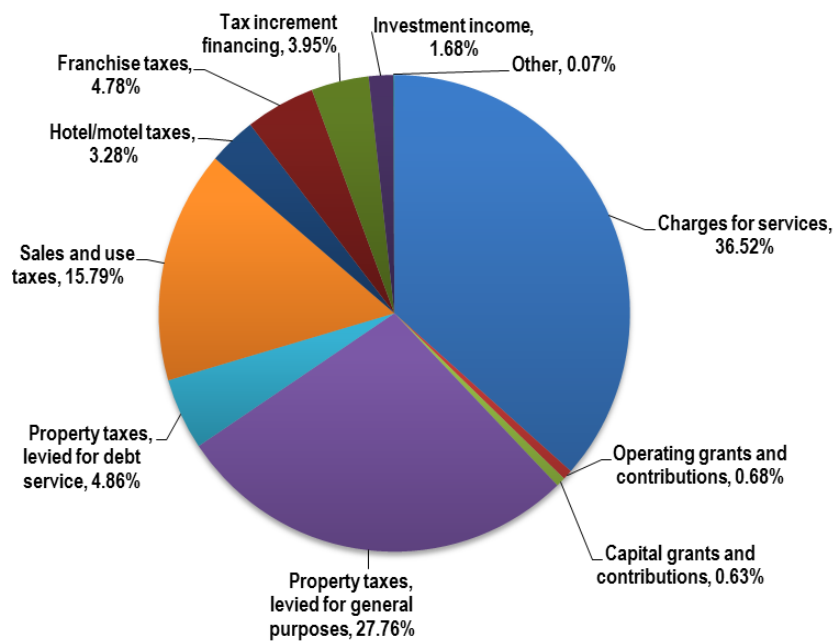
Total revenue of the governmental activities increased almost \$5.4 million. The largest part of the increase in governmental revenue (\$2.3 million) was from property taxes levied for general purposes due primarily to an increase in property valuations. Another significant portion of the increase was from tax increment financing revenues (\$1.3 million) which were higher primarily due to increased property tax valuations. Total expenses of the governmental activities decreased by about \$5.0 million. The decrease in governmental expenses included a decrease of \$9.0 million in public works expense which included the decrease in the landfill liability due to the landfill expansion of \$10.2 million. This was somewhat offset by an increase in expense of about \$2.0 million in general government due mostly to increased spending for economic development.

Total revenue of the business-type activities increased by about \$1.2 million due primarily to a nine percent increase in water and sewer rates. Water and sewer expenses increased about \$.9 million due to increased production costs for purchased water and stormwater sewer services. The stormwater utility's charges for services revenue was about \$1.3 million and expenses were \$.7 million.

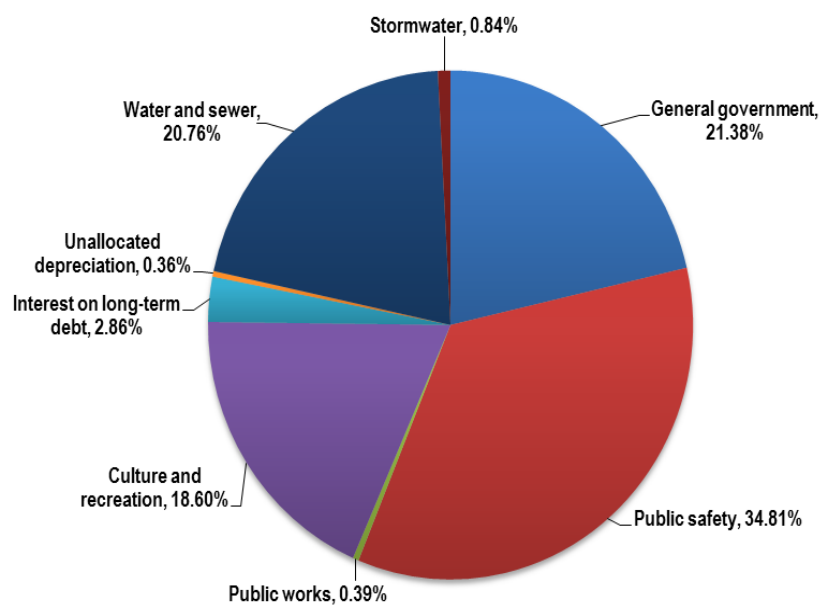
CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2017
(Unaudited)

Total Sources of Revenue



Total Expenses by Activity



CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2017
(Unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$31,874,090. Of this total, \$15,144,319 is restricted due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors, donors, or trustees. A total of \$518,131 is considered nonspendable because it has been used for inventory and prepaid items. A total of \$6,027,741 has been assigned meaning there are limitations resulting from its intended use, such as construction of capital assets, payment of debt service, and for other purposes. The remaining \$10,183,899 is unassigned and can be used for any lawful purpose.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund is \$10,183,899, while total fund balance is \$14,330,478. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance and total general fund balance to total general fund expenditures and other financing sources and uses. Unassigned general fund balance represents 20 percent of total general fund expenditures plus other financing sources and uses, while total fund balance represents 28 percent of that same amount.

The fund balance of the general fund increased \$1,441,873 during the fiscal year. Revenues were \$2,817,550 higher than the prior year. Property tax revenue increased \$1,777,950 due primarily to higher valuations. Expenditures were \$2,991,365 higher than the prior year due to increases for new positions, employee merit costs, increased capital asset purchases, increased spending for economic development and facility improvements. The street improvement bond fund balance decreased \$3,596,056 for street resurfacing.

Proprietary Funds - The City's water and sewer fund and stormwater utility fund are the enterprise components of the City's proprietary funds. These fund's financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the water and sewer fund was \$10,854,590 and for the stormwater utility fund was \$1,557,065. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's various functions. The City uses internal service funds to account for facilities and fleet management and the City's workers' compensation and health insurance self-insurance programs. Because all of these services primarily benefit governmental rather than business-type activities, they have been included with governmental activities in the government-wide financial statements.

General Fund Budgetary Highlights - During the fiscal year ending September 30, 2017, the City Council adopted amendments to the budget. In the general fund, the final budgeted revenues decreased \$1,910,700 compared to the original budgeted revenues. The largest budgeted revenue decrease was the budget for charges for services. This category decreased \$966,700 which included a reduction of \$693,000 for refuse services due to delays related to obtaining a landfill expansion permit. The budget for property taxes was decreased by \$475,600 due to lower than anticipated collections. The fines and forfeitures budget was decreased \$475,500 due to lower than anticipated court receipts and library fines. The sales and use tax revenue budget decreased \$267,800 due to lower than expected sales tax receipts. The final budget for expenditures decreased \$181,700 compared to the original budget for expenditures. This budget decrease included \$125,000 for a reduction in the anticipated host fee for the landfill and \$50,000 for a reduction in parks ground maintenance activities.

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2017
(Unaudited)

CAPITAL ASSETS

The City's investment in capital assets for its government-wide activities as of September 30, 2017, amounts to \$172,946,178 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, intangible assets, and construction in progress.

Major capital asset events during the current fiscal year included the following:

Completed Projects

- Street and utility improvements for \$5,216,000
- Southbound Marsh Lane bridge reconstruction for \$1,169,000
- Fire Training Facility (Farmers Branch share) for \$564,000
- Athletic field lighting at Cox Soccer Complex for \$287,500

Amounts Spent for Ongoing Projects

- Belt-Marsh Pump Station improvements for \$468,000
- Street revitalization for \$319,000
- Trail improvements for \$277,000
- Justice Center upgrades for \$256,000

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 40,443,167	\$ 40,443,167	\$ 603,364	\$ 603,364	\$ 41,046,531	\$ 41,046,531
Buildings	39,857,323	40,518,389	4,048,355	4,220,469	43,905,678	44,738,858
Equipment	9,594,060	9,879,279	2,230,062	2,488,216	11,824,122	12,367,495
Improvements	3,481,712	3,434,008	19,004	20,150	3,500,716	3,454,158
Infrastructure	36,814,444	34,850,458	32,670,295	32,318,747	69,484,739	67,169,205
Intangible assets	615,024	726,306	11,264	23,642	626,288	749,948
Construction in progress	1,910,948	1,412,069	647,156	1,942,966	2,558,104	3,355,035
Total	<u>\$ 132,716,678</u>	<u>\$ 131,263,676</u>	<u>\$ 40,229,500</u>	<u>\$ 41,617,554</u>	<u>\$ 172,946,178</u>	<u>\$ 172,881,230</u>

Additional information on the City's capital assets can be found in the notes to basic financial statements (see Note 3.D).

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of \$37,342,191. Of this amount, \$32,706,253 comprises bonded debt backed by the full faith and credit of the government and \$4,635,938 comprises debt to be repaid from hotel/motel tax revenues and lease payments from the Dallas Stars and is backed by the full faith and credit of the government. The developer advances of \$4,437,028 represent a loan to the City for capital project costs payable only from Tax Increment Financing District No. 1 funds.

Outstanding Debt at Year-End

	Governmental Activities	
	2017	2016
General obligation bonds	\$ 32,706,253	\$ 35,684,897
Special revenue bonds	4,635,938	5,077,291
Developer advances	4,437,028	5,727,028
Total	<u>\$ 41,779,219</u>	<u>\$ 46,489,216</u>

CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2017
(Unaudited)

The City maintains favorable ratings from bond rating agencies. The ratings are as follows:

	Moody's Investors Service	Date Confirmed	Fitch Ratings	Date Confirmed	Standard & Poor's	Date Confirmed
General obligation bonds						
2009 Combination tax and revenue, taxable	n/a	n/a	AA+	May 2, 2016	AA+	April 29, 2016
2010 General obligation refunding and improvement	Aa2	Sept. 27, 2017	AA+	May 2, 2016	AA+	April 29, 2016
2012 Certificates of obligation (bank issued)	n/a	n/a	n/a	n/a	n/a	n/a
2013 Certificates of obligation	Aa2	Sept. 27, 2017	AA+	May 2, 2016	AA+	April 29, 2016
2014 Certificates of obligation	n/a	n/a	AA+	May 2, 2016	AA+	April 29, 2016
2014 General obligation	n/a	n/a	AA+	May 2, 2016	AA+	April 29, 2016
2016 Certificates of obligation	n/a	n/a	AA+	May 2, 2016	AA+	April 29, 2016
Special revenue bonds						
2011 General obligation refunding bonds, taxable	Aa2	Sept. 27, 2017	AA+	May 2, 2016	AA+	April 29, 2016

Additional information on the City's long term-debt can be found in the notes to basic financial statements (see Note 3.G).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2018 budget has been prepared with the objectives of maintaining the financial strength of the City, meeting the needs of citizens, and implementing the priorities of the City Council. The budget emphasizes investment in public safety, infrastructure, and equipment including continuation of a 10-year street bond program, Fire Station No. 2 relocation, Bee Street restaurant development, park and trail improvements, Justice Center security improvements, Farmers Market improvements, Historical Park building improvements, Dr. Pepper StarCenter improvements, Mercer Crossing street and utility improvements, and implementation of the Neighborhood Partnership Program.

Revenues are projected to grow in fiscal year 2018 due to a strong economy. Property and sales tax revenue represent nearly 69 percent of total general fund revenues. The City's single largest source of revenue is property taxes and it represents 45 percent of total general fund budgeted revenue. Property values increased 5.1 percent to over \$5.1 billion. The proposed budget maintained the property tax rate at 60.2267 cents per \$100 valuation. A property tax rate at this level continues to position Farmers Branch at one of the lowest rates in Dallas County. Sales tax revenue is the City's second largest source of revenue representing 24 percent of total general fund budgeted revenue. Sales tax revenue from existing businesses is anticipated to increase less than one percent. The total general fund budgeted revenue was increased from the prior year by seven percent or \$3,859,100.

Budgeted general fund expenditures are expected to increase by seven percent or \$3,850,200. This includes increases in personnel costs for non-sworn employee merit raises and sworn police structure adjustments and for additional personnel (which includes \$415,000 for public safety personnel to cover the West Side expansion). The budget for services increased for solid waste costs related to the Lewisville hosting fee, increases for the emergency communication center (NTECC) and increased funding for crack sealing on resurfaced streets. The repairs and maintenance budget increased for facility improvements. Funding was also increased for economic development and improvements for the Farmers Market.

Budgeted revenue for the water and sewer fund is 13 percent higher than fiscal year 2017. Water and sewer rates were increased by about ten percent. Budgeted expenses for the water and sewer fund are projected to increase almost eight percent due to increased purchased water and wastewater treatment costs.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail sherelle.evans-jones@farmersbranchtx.gov.

STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, cash equivalents, and investments	\$ 33,955,341	\$ 6,549,967	\$ 40,505,308
Receivables (net of allowance for uncollectibles)	7,318,944	3,039,905	10,358,849
Inventories	491,353		491,353
Deposits	40,000		40,000
Prepaid items	56,599	12,573	69,172
Equity interest in joint venture	947,252	5,436,642	6,383,894
Capital assets:			
Nondepreciable	42,354,115	1,250,520	43,604,635
Depreciable, net of accumulated depreciation	90,362,563	38,978,980	129,341,543
Total assets	175,526,167	55,268,587	230,794,754
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pensions subsequent to the measurement date	3,622,928	195,318	3,818,246
Differences between projected and actual investment earnings on pensions	9,016,827	494,164	9,510,991
Differences due to changes in actuarial assumptions on pensions	305,824	16,778	322,602
Deferred charge on refunding	118,713		118,713
Total deferred outflows of resources	13,064,292	706,260	13,770,552
LIABILITIES			
Accounts payable and other accrued liabilities	4,913,779	751,883	5,665,662
Retainage payable	50,273	5,886	56,159
Accrued interest payable	11,135,140		11,135,140
Deposits payable	409,891	482,586	892,477
Internal balances	394,152	(394,152)	
Unearned revenue	119,747		119,747
Noncurrent liabilities:			
Due within one year	4,663,491	45,192	4,708,683
Due in more than one year	82,826,179	2,078,623	84,904,802
Total liabilities	104,512,652	2,970,018	107,482,670
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual economic experience on pensions	721,867	40,423	762,290
NET POSITION			
Net Investment in capital assets	102,598,166	40,158,599	142,756,765
Restricted for:			
Construction of capital assets	1,770,422		1,770,422
Promotion of tourism	1,661,872		1,661,872
Purposes of grantors/trustees	413,274		413,274
Economic development	80,220		80,220
Debt service	488,376		488,376
Law enforcement	933,252		933,252
Fire training	39		39
Unrestricted	(24,589,681)	12,805,807	(11,783,874)
Total net position	\$ 83,355,940	\$ 52,964,406	\$ 136,320,346

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

CITY OF FARMERS BRANCH, TEXAS

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
Primary government:				
Governmental activities:				
General government	\$ 16,573,789	\$ 2,349,977	\$ 244,453	\$
Public safety	26,982,151	4,734,932	44,923	102,352
Public works	304,447	2,651,878	184,879	457,845
Culture and recreation	14,415,728	1,231,715	126,347	
Interest on long-term debt	2,217,026			
Unallocated depreciation	277,305			
Total governmental activities	<u>60,770,446</u>	<u>10,968,502</u>	<u>600,602</u>	<u>560,197</u>
Business-type activities:				
Water and sewer	16,086,557	19,963,175		
Stormwater utility	647,624	1,308,242		
Total business-type activities	<u>16,734,181</u>	<u>21,271,417</u>		
Total primary government	<u>\$ 77,504,627</u>	<u>\$ 32,239,919</u>	<u>\$ 600,602</u>	<u>\$ 560,197</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales and use taxes				
Hotel/motel taxes				
Franchise taxes				
Tax increment financing				
Investment income				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position--beginning				
Net position--ending				

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

Exhibit A-2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (13,979,359)	\$	\$ (13,979,359)
(22,099,944)		(22,099,944)
2,990,155		2,990,155
(13,057,666)		(13,057,666)
(2,217,026)		(2,217,026)
(277,305)		(277,305)
(48,641,145)		(48,641,145)
	3,876,618	3,876,618
	660,618	660,618
	4,537,236	4,537,236
\$ (48,641,145)	\$ 4,537,236	\$ (44,103,909)
24,509,410		24,509,410
4,291,764		4,291,764
13,936,336		13,936,336
2,892,655		2,892,655
4,224,063		4,224,063
3,484,012		3,484,012
1,447,475	41,812	1,489,287
59,927		59,927
3,616,184	(3,616,184)	
58,461,826	(3,574,372)	54,887,454
9,820,681	962,864	10,783,545
73,535,259	52,001,542	125,536,801
\$ 83,355,940	\$ 52,964,406	\$ 136,320,346

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General	Street Improvement Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	\$ 12,237,254	\$ 3,635,085	\$ 15,013,375	\$ 30,885,714
Receivables (net of allowance for uncollectibles)	6,393,560		724,563	7,118,123
Accrued interest and other	88,056	25,875	72,933	186,864
Due from other funds	15,200			15,200
Inventories	466,470			466,470
Prepaid items	50,848		813	51,661
Total assets	<u>\$ 19,251,388</u>	<u>\$ 3,660,960</u>	<u>\$ 15,811,684</u>	<u>\$ 38,724,032</u>
LIABILITIES				
Accounts payable	\$ 3,213,295	\$ 182,581	\$ 1,186,574	\$ 4,582,450
Retainage payable	42,360	7,913		50,273
Deposits payable	23,604		386,287	409,891
Due to other funds			15,200	15,200
Unearned revenue - other	92,401		27,346	119,747
Total liabilities	<u>3,371,660</u>	<u>190,494</u>	<u>1,615,407</u>	<u>5,177,561</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	1,549,250		123,131	1,672,381
Total deferred inflows of resources	<u>1,549,250</u>	<u></u>	<u>123,131</u>	<u>1,672,381</u>
FUND BALANCES				
Nonspendable:				
Inventory	466,470			466,470
Prepaid items	50,848		813	51,661
Restricted:				
Construction of capital assets		3,470,466	4,447,667	7,918,133
Landfill closure/postclosure			3,649,966	3,649,966
Promotion of tourism			1,661,059	1,661,059
Purpose of grantors, trustees and donors			413,274	413,274
Economic development			80,220	80,220
Debt service			488,376	488,376
Law enforcement			933,252	933,252
Fire training operations			39	39
Assigned:				
Construction of capital assets			2,398,480	2,398,480
Other capital assets	1,036,863			1,036,863
Economic development	2,193,337			2,193,337
Other purposes	399,061			399,061
Unassigned	10,183,899			10,183,899
Total fund balances	<u>14,330,478</u>	<u>3,470,466</u>	<u>14,073,146</u>	<u>31,874,090</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,251,388</u>	<u>\$ 3,660,960</u>	<u>\$ 15,811,684</u>	<u>\$ 38,724,032</u>

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances - governmental funds (page 14)		\$ 31,874,090
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (net of internal service fund capital assets of \$339,853).		132,376,825
Equity investment in joint venture is not a current financial resource. Therefore, it is not reported in the governmental funds.		947,252
Deferred outflows of resources are not reported in the governmental funds:		
Contributions to pensions subsequent to the measurement date (net of internal service fund of \$100,307)	\$ 3,522,621	
Differences between projected and actual investment earnings on pensions (net of internal service fund of \$245,011)	8,771,816	
Differences due to changes in actuarial assumptions on pensions (net of internal service fund of \$8,106)	297,718	
Deferred charge on debt refunding	118,713	12,710,868
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,672,381
Internal service funds are used by management to charge the cost of certain activities, such as fleet management and workers' compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (less amount allocated to business-type activities of \$394,152).		1,301,101
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(96,829,872)
Deferred inflows of resources are not reported in the governmental funds:		
Differences between expected and actual economic experience on pensions (net of internal service fund of \$25,162)		(696,705)
Net position of governmental activities		<u>\$ 83,355,940</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	General	Street Improvement Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 24,163,645	\$	\$ 4,252,941	\$ 28,416,586
Sales and use taxes	13,936,336			13,936,336
Hotel/motel taxes			2,892,655	2,892,655
Franchise taxes	4,187,078		68,134	4,255,212
Tax increment financing			3,481,586	3,481,586
Licenses and permits	2,024,453			2,024,453
Charges for services	5,487,380			5,487,380
Fines and forfeitures	2,253,046		923,386	3,176,432
Investment income	677,892	38,935	730,648	1,447,475
Intergovernmental	150,000		526,535	676,535
Miscellaneous	239,474		504,920	744,394
Total revenues	53,119,304	38,935	13,380,805	66,539,044
EXPENDITURES				
Current:				
General government	14,056,036		117,331	14,173,367
Public safety	24,668,699		932,124	25,600,823
Public works	7,624,993		833,124	8,458,117
Culture and recreation	11,121,976		1,875,280	12,997,256
Debt service:				
Principal retirement			4,605,000	4,605,000
Interest and fiscal agent charges			1,380,656	1,380,656
Capital outlay		3,634,991	3,953,301	7,588,292
Total expenditures	57,471,704	3,634,991	13,696,816	74,803,511
Deficiency of revenues over (under) expenditures	(4,352,400)	(3,596,056)	(316,011)	(8,264,467)
OTHER FINANCING SOURCES (USES)				
Transfers in	6,604,107		3,111,000	9,715,107
Transfers out	(1,125,000)		(3,859,107)	(4,984,107)
Sale of general capital assets	159,088			159,088
Insurance recoveries	156,078			156,078
Total other financing sources (uses)	5,794,273		(748,107)	5,046,166
Net change in fund balances	1,441,873	(3,596,056)	(1,064,118)	(3,218,301)
Fund balances--beginning	12,888,605	7,066,522	15,137,264	35,092,391
Fund balances--ending	\$ 14,330,478	\$ 3,470,466	\$ 14,073,146	\$ 31,874,090

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ (3,218,301)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	1,658,161
The net effect of the various miscellaneous transactions involving capital assets (i.e., sales, transfers and donations) is to decrease net position.	(157,105)
The change in equity interest in joint venture decreases net position.	(218,482)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	274,489
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,605,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	6,866,361
Internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	10,558
Change in net position of governmental activities	<u>\$ 9,820,681</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
REVENUES						
Property taxes	\$ 24,450,000	\$ 23,974,400	\$ 24,163,645		\$ 24,163,645	\$ 189,245
Sales and use tax	14,215,000	13,947,200	13,936,336		13,936,336	(10,864)
Franchise taxes	4,516,000	4,217,200	4,187,078		4,187,078	(30,122)
Licenses and permits	1,909,000	2,138,200	2,024,453		2,024,453	(113,747)
Charges for services	6,464,800	5,498,100	5,487,380		5,487,380	(10,720)
Fines and forfeitures	2,717,000	2,241,500	2,253,046		2,253,046	11,546
Investment income	730,000	747,000	677,892		677,892	(69,108)
Intergovernmental		150,000	150,000		150,000	
Miscellaneous	54,000	231,500	239,474		239,474	7,974
Total revenues	55,055,800	53,145,100	53,119,304		53,119,304	(25,796)
EXPENDITURES						
General government	15,755,900	15,287,900	14,056,036	(258,970)	13,797,066	1,490,834
Public safety	24,508,000	25,050,200	24,668,699	(47,278)	24,621,421	428,779
Public works	7,932,700	7,768,100	7,624,993	(270,174)	7,354,819	413,281
Culture and recreation	11,550,600	11,459,300	11,121,976	(80,098)	11,041,878	417,422
Total expenditures	59,747,200	59,565,500	57,471,704	(656,520)	56,815,184	2,750,316
Deficiency of revenues under expenditures	(4,691,400)	(6,420,400)	(4,352,400)	656,520	(3,695,880)	2,724,520
OTHER FINANCING SOURCES (USES)						
Transfers in	5,449,900	6,449,900	6,604,107		6,604,107	154,207
Transfers out	(1,125,000)	(1,125,000)	(1,125,000)		(1,125,000)	
Sale of general capital assets	150,000	55,000	159,088		159,088	104,088
Insurance recoveries	21,500	137,500	156,078		156,078	18,578
Total other financing sources	4,496,400	5,517,400	5,794,273		5,794,273	276,873
Net change in fund balances	(195,000)	(903,000)	1,441,873	656,520	2,098,393	3,001,393
Fund balances--beginning	11,710,470	11,710,470	12,888,605	(1,178,135)	11,710,470	
Fund balances--ending	\$ 11,515,470	\$ 10,807,470	\$ 14,330,478	\$ (521,615)	\$ 13,808,863	\$ 3,001,393
Explanation of differences:						
Beginning of year adjustment for encumbrances recognized as expenditures					\$ 1,178,135	
End of year adjustment for encumbrances not recognized as expenditures					(521,615)	
Net decrease in fund balance - GAAP to budget					\$ 656,520	

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

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STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2017

	Business-type Activities		Governmental Activities
	Water and Sewer	Stormwater Utility	Internal Service Funds
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 5,087,611	\$ 1,462,356	\$ 6,549,967
Receivables (net of allowance for uncollectibles)	2,902,590	107,929	3,010,519
Accrued interest and other	23,419	5,967	29,386
Inventories			24,883
Prepaid items	12,573		12,573
Deposits			40,000
Total current assets	8,026,193	1,576,252	9,602,445
Noncurrent assets:			
Equity interest in joint venture	5,436,642		5,436,642
Capital assets:			
Nondepreciable	1,250,520		1,250,520
Depreciable, net of accumulated depreciation	38,841,170	137,810	38,978,980
Total noncurrent assets	45,528,332	137,810	45,666,142
Total assets	53,554,525	1,714,062	55,268,587
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pensions subsequent to the measurement date	195,318		195,318
Differences between projected and actual investment earnings on pensions	494,164		494,164
Differences due to changes in actuarial assumptions on pensions	16,778		16,778
Total deferred outflows of resources	706,260		706,260
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	732,696	19,187	751,883
Compensated absences	45,192		45,192
Claims payable			492,456
Retainage payable	5,886		5,886
Deposits payable	482,586		482,586
Total current liabilities	1,266,360	19,187	1,285,547
Noncurrent liabilities:			
Compensated absences	146,499		146,499
Claims payable			147,629
Net pension liability	1,803,543		1,803,543
Other post employment benefits obligation	128,581		128,581
Total noncurrent liabilities	2,078,623		2,078,623
Total liabilities	3,344,983	19,187	3,364,170
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual economic experience on pensions	40,423		40,423
NET POSITION			
Net investment in capital assets	40,020,789	137,810	40,158,599
Unrestricted	10,854,590	1,557,065	12,411,655
Total net position	\$ 50,875,379	\$ 1,694,875	\$ 52,570,254
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time			394,152
Net position of business-type activities			\$ 52,964,406

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
Operating revenues				
Charges for services	\$ 19,943,106	\$ 1,308,242	\$ 21,251,348	\$ 4,231,315
Contributions and miscellaneous	20,069		20,069	4,252,297
Total operating revenues	19,963,175	1,308,242	21,271,417	8,483,612
Operating expenses				
Personal services	2,169,120		2,169,120	1,057,681
Materials and supplies	251,666		251,666	1,603,857
Maintenance and utilities	1,424,595	600,374	2,024,969	1,576,075
Purchase of water	5,598,144		5,598,144	
Sewage treatment	4,260,938		4,260,938	
Insurance claims and expenses				3,638,675
Depreciation	2,374,877	47,250	2,422,127	83,060
Total operating expenses	16,079,340	647,624	16,726,964	7,959,348
Operating income	3,883,835	660,618	4,544,453	524,264
Nonoperating revenues (expenses)				
Investment income	32,834	8,978	41,812	
Loss of the joint venture	(67,823)		(67,823)	
Total nonoperating revenues (expenses)	(34,989)	8,978	(26,011)	
Income before contributions and transfers	3,848,846	669,596	4,518,442	524,264
Capital contributions	661,716		661,716	
Transfers out	(4,203,100)	(74,800)	(4,277,900)	(453,100)
Change in net position	307,462	594,796	902,258	71,164
Net position--beginning	50,567,917	1,100,079	51,667,996	1,624,089
Net position--ending	\$ 50,875,379	\$ 1,694,875	\$ 52,570,254	\$ 1,695,253
Reconciliation to government-wide statement of net position:				
Change in net position			\$ 902,258	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds			60,606	
Change in net position of business-type activities			\$ 962,864	

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 19,742,087	\$ 1,301,585	\$ 21,043,672	\$
Receipts from interfund services provided				8,492,759
Payments to suppliers	(10,866,268)	(596,903)	(11,463,171)	(3,225,913)
Payments to employees	(2,024,376)		(2,024,376)	(971,168)
Payments for loss claims				(3,709,223)
Payments for interfund services	(415,337)		(415,337)	
Net cash provided by operating activities	6,436,106	704,682	7,140,788	586,455
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(4,203,100)	(74,800)	(4,277,900)	(453,100)
Net cash used for noncapital financing activities	(4,203,100)	(74,800)	(4,277,900)	(453,100)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(372,358)		(372,358)	(35,006)
Net cash used for capital and related financing activities	(372,358)		(372,358)	(35,006)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(2,041,254)	(685,163)	(2,726,417)	
Investment income	19,175	4,850	24,025	
Net cash used for investing activities	(2,022,079)	(680,313)	(2,702,392)	
Net increase (decrease) in cash and cash equivalents	(161,431)	(50,431)	(211,862)	98,349
Cash and cash equivalents - beginning of year	(136,942)	(35,332)	(172,274)	2,971,278
Cash and cash equivalents - end of year	\$ (298,373)	\$ (85,763)	\$ (384,136)	\$ 3,069,627
Cash and cash equivalents - end of year	\$ (298,373)	\$ (85,763)	\$ (384,136)	\$ 3,069,627
Investments	5,385,984	1,548,119	6,934,103	
Cash, cash equivalents, and investments - end of year	\$ 5,087,611	\$ 1,462,356	\$ 6,549,967	\$ 3,069,627
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Loss of the joint venture	\$ (67,823)	\$	\$ (67,823)	
Transfer of capital assets from the governmental funds	661,716		661,716	
	\$ 593,893	\$	\$ 593,893	

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

(continued)

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities			Governmental Activities
	Water and Sewer	Stormwater Utility	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 3,883,835	\$ 660,618	\$ 4,544,453	\$ 524,264
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,374,877	47,250	2,422,127	83,060
Change in assets and liabilities:				
(Increase) decrease in receivables	(252,208)	(6,657)	(258,865)	147
Decrease in inventory of materials and supplies				2,277
Decrease in deposits				9,000
Decrease in prepaid items	235,422		235,422	3,578
Decrease in deferred inflows	(95,191)		(95,191)	(49,102)
Increase in accounts payable	150,662	3,471	154,133	
Decrease in accrued liabilities				(44,197)
Decrease in retainage payable	(82,049)		(82,049)	
Decrease in claims payable				(76,755)
Increase in deposits payable	31,120		31,120	
Increase in pension liability	57,949		57,949	29,892
Increase in OPEB liability	8,861		8,861	2,769
Increase (decrease) in accrued compensated absences	(47,294)		(47,294)	15,194
Decrease in deferred outflows of resources	170,122		170,122	86,328
Net cash provided by operating activities	\$ 6,436,106	\$ 704,682	\$ 7,140,788	\$ 586,455

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

(concluded)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Farmers Branch, Texas (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated in 1946 under the Constitution of the State of Texas (Home Rule Amendment). As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government. The City's blended component units and joint venture, which all have a September 30 year-end, are as follows:

Blended Component Units

The Tax Increment Finance District Number One ("TIF No. 1"), Tax Increment Finance District Number Two ("TIF No. 2"), and Tax Increment Reinvestment Zone Number Three ("TIRZ No. 3") were created pursuant to the Texas Tax Increment Financing Act, Tax Code Chapter 311, as amended. The purpose of the TIF No. 1 is to promote development in the Mercer Crossing area. The purpose of the TIF No. 2 is to promote development in the Old Farmers Branch area. The purpose of the TIRZ No. 3 is to dedicate certain tax increment revenues to the Mercer Crossing Development and apply these revenues to reduce the public improvement district assessments. Management of the primary government has operational responsibility for all three of these tax increment financing districts. The TIF No. 1 and TIF No. 2 are reported as capital projects funds and are included as blended component units because they provide a financing mechanism to build streets and other infrastructure. The TIRZ No. 3 is reported as a special revenue fund because the revenues are restricted to reduce the public improvement district assessments and the fund is included as a blended component unit.

The Farmers Branch Local Government Corporation ("FBLGC") was organized for the purpose of aiding, assisting, and acting on behalf of the City in the exercise of its powers to accomplish any governmental purpose of the City and in the promotion of the common good and general welfare of the City including, without limitation, the furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in the City, and currently to develop oil, natural gas and other mineral interests on behalf of the City. Management of the primary government has operational responsibility for the FBLGC. The FBLGC is authorized to issue bonds, notes or other obligations after approval by the City Council. The FBLGC has been included as a blended component unit because it is organized as a not-for-profit corporation in which the City of Farmers Branch is the sole corporate member. The FBLGC is fiscally dependent (the City must approve any issuance of debt) and the purpose of the corporation is to provide a benefit to the City.

Joint Ventures

The North Texas Emergency Communications Center, Inc. (NTECC) is a joint venture between the Town of Addison, City of Carrollton, City of Coppell, and City of Farmers Branch (the "Cities") formed to establish and operate a joint public safety dispatch center. The affairs of the NTECC are managed by a four-person board of directors representing each of the four participating Cities.

The Cities are responsible for funding capital and operating costs of the NTECC in the proportions stated in the inter-local agreement. The City financed its portion of construction funds through the issuance and sale of certificates of obligation. The City of Farmers Branch's equity interest in the NTECC is \$947,252 at September 30, 2017 and is reported as equity interest in joint venture in the governmental activities on the government-wide Statement of Net Position. Audited financial statements for the NTECC can be obtained from the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail sherrelle.evans-jones@farmersbranchtx.gov.

Additionally, the Cities have also entered into inter-local agreements to jointly procure a public safety radio system and a fire training facility. These agreements did not include the formation of a separate legal joint venture entity. The City has financed its portion of construction funds through the issuance and sale of general obligation bonds. The Cities are responsible for funding a portion of the radio system and fire training facility in the proportions stated in the inter-local agreements. The City of Farmers Branch's portion of the radio system in the amount of \$2,297,250 is capitalized as infrastructure and equipment and the portion of the fire training facility in the amount of \$564,196 is capitalized as buildings in the governmental activities on the government-wide Statement of Net Position.

The North Dallas County Water Supply Corporation ("NDCWSC") is a joint venture between the City and the Town of Addison (the "Town") to design, construct, operate, and maintain a joint sanitary sewer interceptor and conventional sewer lines. The NDCWSC, a public instrumentality and nonprofit water supply corporation, was created for that purpose. Upon dissolution of the NDCWSC, the City and Town will share the net position in the proportions stated in an inter-local agreement. The affairs of the NDCWSC are managed by a six-person board of directors appointed by the governing bodies of the City and the Town.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

The City and the Town are each obligated to fund construction of the sanitary sewer interceptor in the proportions stated in the inter-local agreement. The City has financed its portion of construction funds through the issuance and sale of assessment revenue bonds and a transfer from previously issued sewer bonds. The City's net investment and its share of the operating results of the NDCWSC are reported in the City's water and sewer fund. The City's equity interest in the NDCWSC was \$5,436,642 at September 30, 2017. Complete financial statements for the NDCWSC can be obtained from the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail sherrelle.evans-jones@farmersbranchtx.gov.

B. Basis of Presentation

While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The *street improvement bond fund* is used to provide funds for permanent public improvements, to-wit: engineering, constructing, reconstructing, improving, repairing, developing, extending and expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the City, including streetscape improvements, public utility improvements, storm drainage facilities, and the acquisition of land therefor.

The City reports the following major proprietary funds:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *stormwater utility fund* is used to account for the City's drainage management program.

The City reports the following internal service funds:

The *internal service funds* are used to account for facilities and fleet management services and the City's workers' compensation and medical self-insurance programs for the departments of the City on a cost reimbursement basis.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of long-term debt is reported as an other financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when the government receives cash.

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

D. Budgetary Information

1) Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, special revenue funds, and debt service fund. The capital projects funds are appropriated on a project-length basis and often span a period of more than one year.

The appropriated budget is prepared by fund, department, and function. The City Manager may transfer unencumbered appropriations within a department. City Council approval is necessary for transfers of unencumbered appropriations between departments and funds. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Special revenue funds are budgeted at the function level. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

2) Excess of Expenditures over Appropriations

For the year ended September 30, 2017, expenditures in the grant fund's public safety police division exceeded appropriations by \$795. The grant revenues also exceeded the budgeted revenue by the same amount of \$795. The joint fire training's public safety fire division exceeded appropriations by \$78. The joint fire training fund's intergovernmental revenue also exceeded the budgeted revenue by \$78.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1) Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2) Investments

Investments are recorded at fair value (based on quoted market prices), except for investments with maturity of one year or less from date of purchase, which are stated at amortized cost, and except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

3) Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

4) Inventories and Prepaid Items

Inventories are stated at the lower of average cost or market for the internal service funds and for the inventory of land held for resale in the general fund. Inventories are recorded as assets when purchased and charged to operations when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5) Capital Assets

Capital assets include land, buildings, equipment, improvements, infrastructure (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., software, websites). Capital assets purchased, acquired or developed, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The City defines capital assets as having a useful life longer than one year and an initial, individual cost which exceeds the capitalization threshold for their class. The capitalization threshold for the infrastructure class is \$100,000. The capitalization threshold for all other asset classes is \$5,000. Other costs incurred for repairs and maintenance are expensed. Insurance recoveries of \$156,078 were received for the year ended September 30, 2017. They are included as an "other financing source" in the governmental funds.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated on the straight-line basis over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	30 - 50 years
Equipment	5 - 30 years
Improvements	20 years
Intangible assets-software/websites	5 years
Infrastructure	15 - 62.5 years

6) 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 City has four items that qualify for reporting in this category. The first three deferred outflows of resources are reported in the government-wide and proprietary funds statements of net position. The first item is the deferred outflow of resources – contributions to pensions paid after the measurement date. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. The second item is the deferred outflow of resources due to differences between projected and actual investment earnings on pensions. Investment gains and losses are recognized in pension expense over a period of five years. The third item, differences due to changes in actuarial assumptions on pensions, is recognized over the average remaining service life for all members. The final item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position 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 reports deferred inflows of resources due to a difference between expected and actual economic experience on pensions which are recognized over the average remaining service life for all members. This is reported in the government-wide and proprietary funds statements of net position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Finally, the City has one item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from the following sources:

	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$733,916	\$99,435	\$833,351
Ambulance	180,668		180,668
Franchise taxes - electric	632,115		632,115
Charges for services - culture and recreation	2,551		2,551
Special assessments		8,774	8,774
Tax increment financing		14,922	14,922
Total	<u>\$1,549,250</u>	<u>\$123,131</u>	<u>\$1,672,381</u>

7) Net Position Flow Assumptions

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

The net investment in capital assets for the business-type activities is reported net of related debt in the amount of \$70,901, which represents account and retainage payables for capital asset activity.

The governmental activities unrestricted net position is a deficit of \$24,589,681 at September 30, 2017. Please refer to page 5 of the MD&A for the City's plan to reduce this deficit.

8) Fund Balance Policies and Flow Assumptions

Governmental fund's fund balances classified as restricted are balances constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of action to remove or change the constraint. Assigned fund balances are constrained by intent to use for a specific purpose but are neither restricted nor committed. Assignments are made by City management based on Council direction.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

In the general fund, the City strives to maintain a target range of unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual GAAP basis expenditures and other financing sources and uses.

F. Revenues and Expenditures/Expenses

1) Program Revenues

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

2) Property Taxes

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

3) Compensated Absences

The City's employees earn vacation leave (up to a maximum of 192 hours per year for 40 hours per week employees and 288 hours per year for 56 hours per week employees) based on years employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years for employees hired prior to January 1, 2011 and within one and a half years for employees hired on or after January 1, 2011. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, employees hired before October 1, 1992 will be paid a maximum of 720 hours of sick pay for 40 hours per week employees or 1,080 hours for 56 hours per week employees. Upon retirement or termination, employees hired between October 1, 1992 and December 31, 2010 with five years or less of service will be paid a maximum of 120 hours of sick pay and with more than five years of service will be paid a maximum of 240 hours of sick pay for 40 hours per week employees or with five years or less of service will be paid a maximum of 180 hours of sick pay and with more than five years of service will be paid a maximum of 360 hours of sick pay for 56 hours per week employees. Employees hired on or after January 1, 2011 receive no payout for unused sick leave upon retirement or termination.

4) Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer funds and internal service 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 nonoperating revenues and expenses.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$132,376,825 are as follows:

Land and rights of way	\$ 40,434,997
Construction in progress	1,910,948
Improvements	11,117,835
Less: Accumulated depreciation-improvements	(7,636,123)
Buildings	56,186,778
Less: Accumulated depreciation-buildings	(16,318,039)
Equipment	27,536,828
Less: Accumulated depreciation-equipment	(18,099,628)
Infrastructure	109,656,866
Less: Accumulated depreciation-infrastructure	(72,842,422)
Intangible assets	1,758,381
Less: Accumulated depreciation-intangible assets	(1,329,596)
Net adjustment to increase <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 132,376,825</u>

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of certain activities, such as fleet management and workers’ compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.” The details of this \$1,301,101 difference are as follows:

Net position of the internal service funds	\$ 1,695,253
Less: Internal receivable representing charges below cost to business-type activities - current year	<u>(394,152)</u>
Net adjustment to increase <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 1,301,101</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

The final element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$96,829,872 difference are as follows:

Bonds payable	\$ 35,850,000
Add: Issuance premium (to be amortized over life of debt)	1,492,191
Developer advances	4,437,028
Accrued interest payable	11,135,140
Compensated absences	5,105,127
Net pension liability	32,402,716
Net other postemployment benefits obligation	1,678,717
Landfill liability	<u>4,728,953</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 96,829,872</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this \$1,658,161 difference are as follows:

Capital outlay	\$ 8,077,159
Depreciation expense	<u>(6,418,998)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,658,161</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$4,605,000 difference are as follows:

Principal repayments:	
General obligation debt	\$ 2,875,000
Special revenue debt	440,000
Developer advances	<u>1,290,000</u>
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 4,605,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$6,866,361 difference are as follows:

Compensated absences	\$ (103,231)
Net pension liability	(1,041,724)
Difference in pension contributions	250,037
Differences between projected and actual investment earnings on pensions	(3,095,012)
Differences due to changes in actuarial assumptions on pensions	(140,337)
Differences between expected and actual economic experience on pensions	1,711,194
Net other post employment benefits obligation	(115,199)
Accrued interest on long-term debt	(926,681)
Amortization of bond premiums	104,997
Amortization of deferred charge on refunding	(14,686)
Landfill liability	10,237,003
Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 6,866,361</u>

Another element of that reconciliation states that "internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this \$10,558 difference are as follows:

Change in net position of the internal service funds	\$ 71,164
Plus: charges to business-type activities	<u>(60,606)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 10,558</u>

C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-Wide Statement of Net Position

The proprietary fund statement of net position includes reconciliation between *net position - total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of net position. The description of the only item of that reconciliation is "adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time." The details of the \$394,152 difference are as follows:

Internal payable representing charges below cost to business-type activities - prior years	\$ 333,546
Internal payable representing charges over cost to business-type activities - current year	<u>60,606</u>
Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>changes in net position of business-type activities</i>	<u>\$ 394,152</u>

3. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits with Financial Institutions

At year-end, the carrying amount of the City's deposits was (\$1,005,402) and the bank balance was \$242,612. The bank balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name. At year-end, the carrying amount of the Farmers Branch Local Government Corporation, blended component unit's bank balance was \$40,683. The bank balance was completely covered by federal depository insurance.

B. Investments

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 "Act"), provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds. TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

To maximize investment opportunities, all funds (excluding the debt service fund and the internal service funds) participate in a pooling of cash and investment income. Each fund may liquidate its equity in the pool on demand.

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of Texas and its agencies and instrumentalities, obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating, insured or collateralized certificates of deposit, fully collateralized repurchase agreements, and government pools.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical securities. Level 2 inputs are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 3 inputs which are valued using significant unobservable inputs. As of September 30, 2017, the City had the following investments:

Investments by Fair Value Level	September 30, 2017	Fair Value - Level 1	Fair Value - Level 2	Weighted Average Maturity (in days)
Municipal Obligations	\$ 19,897,071	\$	\$ 19,897,071	454
Federal National Mortgage Association	6,258,493		6,258,493	169
Federal Home Loan Bank Notes	3,465,981		3,465,981	164
US Treasury Bill	1,996,306	1,996,306		68
Total Investments by Fair Value Level	31,617,851	1,996,306	29,621,545	
Investments Measured at NAV/Amortized Cost				
Certificates of Deposit Account Registry (CDARS)	7,250,000			333
TexPool	2,602,176			1
Total investments at NAV/Amortized Cost	9,852,176			
Total Investments at Carrying Amount	\$ 41,470,027	(1)		
Portfolio Weighted Average Maturity				340

(1) This amount includes investments in local government investment pools and CDARS, which are measured at NAV and amortized cost, respectively.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to eighteen months (548 days).

Credit Risk. The City'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." The City's investments were rated as follows:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments		
Municipal Obligations	Aaa/AAA*	19%
TexPool	AAA/m	6%
Federal National Mortgage Association	Aaa/AA	15%
Federal Home Loan Bank Notes	Aaa/AA	8%
Municipal Obligations	Aa/AA	28%
Municipal Obligations	A/A	1%

*Aaa/AAA is the highest credit quality issued by Moody's Investor's Services, and by Standard & Poor's, respectively.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments. The City's portfolio is 48% invested in Municipal Obligations, 18% invested in Certificates of Deposit Account Registry, and 8% invested in Federal Home Loan Bank as of September 30, 2017. The remaining 26% of the City's investments is invested in U.S. government issues, U.S. guaranteed obligations, or an external investment pool.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

C. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Street Improvement	Nonmajor Governmental	Internal Service	Water and Sewer	Stormwater Utility	Total
Receivables:							
Property tax	\$ 1,125,526	\$	\$ 166,776	\$	\$	\$	\$ 1,292,302
Other taxes	4,061,087		288,696				4,349,783
Accounts	3,349,644		245,395	13,957	1,017,450	61,514	4,687,960
Unbilled accounts					1,955,994	51,577	2,007,571
Assessments			37,214				37,214
Accrued interest	88,056	25,875	72,933		23,419	5,967	216,250
Gross receivables	8,624,313	25,875	811,014	13,957	2,996,863	119,058	12,591,080
Less: Allowance for uncollectibles	(2,142,697)		(13,518)		(70,854)	(5,162)	(2,232,231)
Net total receivables	\$ 6,481,616	\$ 25,875	\$ 797,496	\$ 13,957	\$ 2,926,009	\$ 113,896	\$ 10,358,849

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

D. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Primary Government			
	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights of way	\$ 40,443,167	\$	\$	\$ 40,443,167
Construction in progress	1,412,069	976,244	(477,365)	1,910,948
Total capital assets, not being depreciated	41,855,236	976,244	(477,365)	42,354,115
Capital assets, being depreciated				
Improvements	10,653,445	473,990		11,127,435
Buildings	55,825,426	569,829		56,395,255
Equipment	27,724,650	2,228,768	(1,844,832)	28,108,586
Infrastructure	105,575,749	4,231,963	(150,846)	109,656,866
Intangible assets - software/websites	1,974,340	108,736	(75,000)	2,008,076
Total capital assets, being depreciated	201,753,610	7,613,286	(2,070,678)	207,296,218
Less accumulated depreciation for:				
Improvements	(7,219,437)	(426,286)		(7,645,723)
Buildings	(15,307,037)	(1,230,895)		(16,537,932)
Equipment	(17,845,371)	(2,356,882)	1,687,727	(18,514,526)
Infrastructure	(70,725,291)	(2,267,977)	150,846	(72,842,422)
Intangible assets - software/websites	(1,248,034)	(220,018)	75,000	(1,393,052)
Total accumulated depreciation	(112,345,170)	(6,502,058)	1,913,573	(116,933,655)
Total capital assets, being depreciated, net	89,408,440	1,111,228	(157,105)	90,362,563
Governmental activities capital assets, net	\$ 131,263,676	\$ 2,087,472	\$ (634,470)	\$ 132,716,678
Business-type activities:				
Capital assets, not being depreciated:				
Land and rights of way	\$ 603,364	\$	\$	\$ 603,364
Construction in progress	1,942,966	139,419	(1,435,229)	647,156
Total capital assets, not being depreciated	2,546,330	139,419	(1,435,229)	1,250,520
Capital assets, being depreciated:				
Improvements	46,126			46,126
Buildings	11,647,291			11,647,291
Equipment	5,865,313	204,082	(139,647)	5,929,748
Infrastructure	82,293,544	2,125,801	(293,776)	84,125,569
Intangible assets - software/websites	61,889			61,889
Total capital assets, being depreciated	99,914,163	2,329,883	(433,423)	101,810,623
Less accumulated depreciation for:				
Improvements	(25,976)	(1,146)		(27,122)
Buildings	(7,426,822)	(172,114)		(7,598,936)
Equipment	(3,377,097)	(462,236)	139,647	(3,699,686)
Infrastructure	(49,974,797)	(1,774,253)	293,776	(51,455,274)
Intangible assets - software/websites	(38,247)	(12,378)		(50,625)
Total accumulated depreciation	(60,842,939)	(2,422,127)	433,423	(62,831,643)
Total capital assets, being depreciated, net	39,071,224	(92,244)		38,978,980
Business-type activities capital assets, net	\$ 41,617,554	\$ 47,175	\$ (1,435,229)	\$ 40,229,500

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

The preceding schedule includes internal service assets in the governmental activities. Internal service fund depreciation expense is allocated to the primary government based on each function's or program's usage of its services.

Depreciation expense (includes amortization expense of intangible assets) was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 773,755
Public safety	1,446,512
Public works, which includes the depreciation of general infrastructure assets	2,407,621
Culture and recreation	1,596,865
Unallocated	277,305
Total depreciation expense - governmental activities	<u>\$ 6,502,058</u>

Business-type activities:

Water and sewer	\$ 2,374,877
Stormwater utility	47,250
Total depreciation expense business-type activities	<u>\$ 2,422,127</u>

Construction Commitments and Other Significant Commitments Including Encumbrances

The City has entered into several construction contracts during the fiscal year, which include street improvements, replacement of water mains, and the construction of municipal facilities. As of September 30, 2017, the City had outstanding construction contracts totaling \$4,834,297 that will be financed from operating funds. Other significant commitments include the encumbrances outstanding for the general fund and non-major funds other than capital projects as shown below.

	Construction Commitments/ Encumbrances
Street improvement bond	\$ 530,506
Water and sewer fund	3,564,799
Non-major capital projects funds	738,992
Total	<u>\$ 4,834,297</u>

	Encumbrances
General fund for capital assets	\$ 122,557
General fund for other purposes	399,061
Water and sewer fund for other purposes	18,393
Water and sewer fund for capital assets	54,529
Stormwater utility fund for other purposes	81,790
Non-major funds other than capital projects	777,138
Non-major funds for capital assets	22,332
Total	<u>\$ 1,475,800</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

E. Interfund Receivables, Payables and Transfers

Interfund balances at September 30, 2017 consisted of the following:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental fund - Grant fund	\$ 15,200

Purpose of Due To / From Other Funds

Due to/from transactions are used for short-term interfund loans. The outstanding balance for the grant fund is the result of a time lag between the date the grant revenue was received and the date the qualifying grant expenditure was made.

Government interfund transfers during the year ended September 30, 2017 were as follows:

TRANSFERS OUT	TRANSFERS IN		
	General Fund	Nonmajor Governmental Funds	Total
General fund	\$	\$ 1,125,000	\$ 1,125,000
Nonmajor governmental funds	1,873,107	1,986,000	3,859,107
Water and sewer fund	4,203,100		4,203,100
Stormwater utility fund	74,800		74,800
Nonmajor proprietary funds	453,100		453,100
Total	<u>\$ 6,604,107</u>	<u>\$ 3,111,000</u>	<u>\$ 9,715,107</u>

Eliminations

Interfund transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Purpose of Transfers

Transfers are used to (1) move unrestricted revenues to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) for the water and sewer fund to the general fund for a payment in lieu of taxes.

F. Tax Abatements

The City of Farmers Branch enters into tax abatement agreements with local residents and businesses under Chapter 380 of the Texas Local Government Code. Under this chapter, the City may provide incentives consisting of loans and grants of city funds, use of city personnel, facilities and services with or without charge, for the promotion of economic development.

The City has three categories of economic development agreements:

- Residential Demolition/Rebuild Incentive Program – This program provides property tax abatements to encourage redevelopment of existing housing stock in the City. The program may include a demolition incentive grant up to \$15,000 and annual incentive grants (between five and seven years) equal to the difference between the City property taxes assessed and paid for the new improvements (new residential structure excluding the land) for a given tax year and the City property taxes for the residential structure prior to demolition (excluding the land) for the tax year in which the structure was demolished (the "Base Year"). The amounts and number of years the incentive will be paid vary depending on the value of the residential structure and the program in place at the effective date of the agreement. Abatements are obtained through application prior to beginning the improvements and commence when the City issues a certificate of occupancy or certificate of completion for the new residence. The property owner commits to demolition of the existing residence and the construction of a new residence within 24 months of the effective date of the agreement. If construction is not completed as agreed, the City has the option to terminate the agreement and seek reimbursement of the demolition cost reimbursement incentive.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

No other commitments were made by the City as part of those agreements. For the fiscal year ended September 30, 2017, the City abated property taxes totaling \$99,164 for 28 properties under this program.

- Economic Development Agreements - The purpose of these agreements is for the promotion of the expansion of existing businesses within the City and the recruitment of new business enterprises to the City. These agreements include repayment provisions should the recipient fail to fully meet its commitments. The names of businesses receiving sales tax rebates are not disclosed as they are made confidential by Texas Tax Code Section 151.027.
 - A ten year agreement for a 50 percent property tax rebate and sixty quarterly sales tax grants of 50% of the sales tax paid for years 1 to 7 and 25% of the sales tax paid for years 8 to 15 to a security services company to relocate its headquarters and call center. The incentive period began July 2015. The company must maintain a minimum level of taxable sales and continuous occupancy of the premises during the terms of the agreement. The abatements amounted to \$462,102 during the fiscal year ended September 30, 2017.
 - A ten year agreement for a 50 percent tangible personal property tax reduction and 100 percent sales tax rebate for a local home furnishings warehouse/store to purchase and renovate 415,000 square feet of office and manufacturing/distribution space and to relocate company corporate headquarters, warehouse, distribution center, and retail outlet store to Farmers Branch. The company must maintain a minimum taxable value of the tangible personal property of at least \$2,000,000 as of January 1 of each calendar year during the agreement. The incentive period began April 2011. The abatements amounted to \$82,539 during the fiscal year ended September 30, 2017.
 - An agreement to make annual grants of 50 percent of the tangible personal property tax paid for years 1 to 5 and 75 percent of the tangible personal property tax paid for years 6 to 10 for La Bodega Meat to relocate its distribution facility/dry freezer warehouse space. The incentive period began August 2013. The company agreed to continuous lease and occupancy of the premises for the required use during the term of the agreement. The abatement amounted to \$25,840 for the fiscal year ended September 30, 2017.
 - An agreement with TXI Operations, LP to provide a tax abatement for business personal property for a period of thirteen years conditioned on the construction firm leasing approximately 45,000 square feet of space in a building located in Farmers Branch and the company relocation and operation of its corporate headquarters to the leased premises which it must continuously occupy and operate throughout the period of the agreement. The company must maintain taxable value of tangible personal property of at least \$1,500,000 on January 1 immediately following the commencement date. The tax abatement is 100 percent of business personal property taxes paid for years 1 to 3, 50 percent for years 4 to 7, and 25 percent for years 8 to 13. The incentive period began November 2013. The abatement amounted to \$9,251 for the fiscal year ended September 30, 2017.
 - An agreement for five annual economic development grants equal to 30 percent of tangible personal property collected by the City for Newsom Designs, LLC/Wisteria, a catalog, website and retail store of antiques and decorative items for the home and garden, to relocate and operate its corporate headquarters and a distribution center in Farmers Branch. The company must maintain taxable value of tangible property of \$1,000,000 as of January 1 during the term of the agreement. Also, the company agreed to continuous lease and occupancy of the premises for the required use during the term of the agreement. The lease inception began November 2010. The abatement amounted to \$1,907 for the fiscal year ended September 30, 2017.
- Tax Increment Financing - The City has adopted three Tax Increment Financing districts (TIFs) under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payment to developers and represent obligations over the life of the TIF. Each district has a base year, and incremental property tax revenues exceeding the base year amount are collected into a CIP or special revenue fund. Additionally, other taxing entities may participate in the TIF districts. Each participating entity's governing body sets the percentage of increment that they will contribute to the TIF fund.

The City Council, upon recommendation of the Council-appointed TIF Board for each district, can enter into economic grant agreements with developers which utilize TIF funds. Unlike other contractual obligations, TIF grants are subject to availability of TIF funds, and any balance owed to a developer at the termination of the TIF district will no longer be considered an obligation of the City.

Additionally, the City enters into general economic development agreements under Chapter 380 of the Texas Local Government Code which are funded with TIF resources. The City made \$1,392,718 in payments for TIF obligations, \$475,000 in incentive payments, and \$587,789 in property tax rebates from general TIF resources.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

G. Long-Term Liabilities

General Obligation Bonds – The City of Farmers Branch issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the city. These bonds are generally issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years. The city is required to compute, at the time taxes are levied, the rate of tax required to provide a fund to pay interest and principal at maturity. The city is in compliance with this requirement.

Special Revenue Bonds – The City of Farmers Branch issued special revenue bonds to provide funds for the acquisition and construction of a community ice-skating and conference facility including public parking areas. This debt consists of General Obligation Refunding Bonds, Taxable Series 2011 which refunded the Combination Tax and Revenue Certificates of Obligation, Taxable Series 2004. The Taxable Series 2004 were self-supporting general obligation debt based upon amounts received under a Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., with respect to the Dallas Stars Ice Skating facility located in the City. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the bonds is dependent on the satisfaction of certain ongoing requirements in the Lease. Payments under the Lease are not pledged to the payment of the bonds. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the bonds, the City will be required to assess an ad valorem tax to pay such obligations. For fiscal year 2017, the lease revenue available for debt service was 1.1 times the average annual debt service requirement.

Bonds payable at September 30, 2017 are comprised of the following individual issues:

	Sale	Original	Interest	Final	Outstanding
Governmental Activities:	Date	Borrowing	Rates to	Maturity	Sept. 30, 2017
General Obligation Bonds:					
Certificates of obligation, taxable	2009	\$ 10,000,000	1.50 - 5.22	2024	\$ 5,410,000
General obligation refunding and improvement bonds	2010	5,605,561	2.00 - 4.00	2030	4,144,953
Certificates of obligation	2012	3,000,000	1.69	2023	1,870,000
Certificates of obligation	2013	7,148,755	2.50 - 4.50	2032	6,051,822
Certificates of obligation	2014	2,042,906	2.00 - 5.00	2024	1,472,609
General obligation bonds	2014	14,691,338	2.00 - 5.00	2034	11,177,725
Certificates of obligation	2016	2,694,083	2.00 - 3.00	2036	2,579,144
Total General Obligation Bonds		<u>45,182,643</u>			<u>32,706,253</u>
Special Revenue Bonds:					
General obligation refunding bonds, taxable	2011	\$ 7,054,057	0.44 - 4.00	2025	\$ 4,635,938
Total Special Revenue Bonds		<u>7,054,057</u>			<u>4,635,938</u>
Total Governmental Activities		<u>\$ 52,236,700</u>			<u>\$ 37,342,191</u>

The City currently has \$9,000,000 of authorized, but unissued, general obligation bonds. These bonds are anticipated to be issued in 2018.

Legal Debt Margin – The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

Calculation of Legal Debt Margin – September 30, 2017

Adjusted Tax Base Valuation	\$4,852,809,226
Constitutional Limit	2.5% of assessed valuation
Maximum Constitutional Revenue Available	\$121,320,230
Tax Rate to Achieve Maximum Tax Revenue	\$2.5000 per \$100 of valuation
Adopted Tax Rate for Fiscal Year 2016-17	\$0.602267 per \$100 of valuation
Available Unused Constitutional Maximum Tax Rate	\$1.897733 per \$100 of valuation

Developer Advances – In prior years, the City entered into a development agreement, whereby American Realty Trust, Inc., Income Opportunity Realty Investors, Inc., and Transcontinental Realty Investors, Inc. agreed to advance funds to the City for project construction costs in Tax Increment Financing District No. 1 ("TIF No. 1"). The funds advanced and interest payable may be reimbursed only from the TIF No. 1 fund to the extent such funds are on deposit in the fund. Interest accrues beginning from the date the funds are received by the City. The interest rate is the lower of six percent or the developer's actual cost of funds. This interest is calculated on a simple straight-line basis semiannually on the unpaid balance plus accrued interest to date. This amount may be reimbursed only from the Tax Increment Financing District No. 1 ("TIF No. 1") to the extent such funds

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

are on deposit in the fund. Current revenue projections indicate repayment of most of the accrued interest of approximately \$10.8 million will be unlikely before the TIF No. 1 expires on December 31, 2019.

Landfill Closure and Postclosure Costs – The City owns a sanitary landfill site located in the city of Lewisville, Texas. On October 1, 2008, the City renewed a previous ten-year contract with Allied Waste North America, Inc. (“Allied Waste”) for the operation and management of the landfill. The current agreement continues until all permitted air space has been filled with waste material.

The landfill operates on a “cell” basis and state and federal laws require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. On August 28, 2017, the Texas Commission on Environmental Quality (TCEQ) approved a major improvement amendment application which increased the site capacity from 24.5 million cubic yards to 53.2 million cubic yards. It is estimated that this site capacity will be reached in approximately 35 years. The City recognizes a portion of the final closure and postclosure care liability in each operating period even though actual final payout will not occur until the landfill is completely closed.

The amount recognized as a liability is based on the landfill capacity used as of the balance sheet date. As of September 30, 2017, the City had incurred a liability of \$4,728,953, which represents the amount of costs estimated to date based on 33% of landfill capacity used to date. This amount includes a reduction of \$272,233 for closure related expenditures paid during fiscal year 2017. The remaining estimated liability for these costs is \$9,647,063, which will be recognized as the remaining capacity is used. Additionally, during the term of the agreement the City is required to maintain a special revenue fund for future landfill closure and postclosure costs and has restricted the fund balance of \$3,649,966 for these costs. The estimated cost of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

Changes in long-term liabilities - Changes in the City’s long-term liabilities for the year ended September 30, 2017 are as follows:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 34,100,000	\$	\$ (2,875,000)	\$ 31,225,000	\$ 2,995,000
Special revenue bonds	5,065,000		(440,000)	4,625,000	450,000
Premium	1,597,188		(104,997)	1,492,191	104,997
Total bonds payable	40,762,188		(3,419,997)	37,342,191	3,549,997
Developer advances	5,727,028		(1,290,000)	4,437,028	
Compensated absences	5,111,694	2,746,190	(2,627,765)	5,230,119	621,038
Net pension liability	32,320,861	20,423,263	(19,351,647)	33,392,477	
Other post employment benefits obligation	1,600,849	569,132	(451,164)	1,718,817	
Claims	716,840	3,013,332	(3,090,087)	640,085	492,456
Landfill closure and postclosure care costs	14,965,956	345,739	(10,582,742)	4,728,953	
Governmental activities long-term debt	\$ 101,205,416	\$ 27,097,656	\$ (40,813,402)	\$ 87,489,670	\$ 4,663,491
<u>Business-type activities</u>					
Compensated absences	\$ 238,985	\$ 112,882	\$ (160,176)	\$ 191,691	\$ 45,192
Net pension liability	1,745,594	1,104,420	(1,046,471)	1,803,543	
Other post employment benefits obligation	119,720	42,752	(33,891)	128,581	
Business-type activities long-term debt	\$ 2,104,299	\$ 1,260,054	\$ (1,240,538)	\$ 2,123,815	\$ 45,192
Total	\$ 103,309,715	\$ 28,357,710	\$ (42,053,940)	\$ 89,613,485	\$ 4,708,683

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, internal service fund liabilities for claims payable of \$640,085, compensated absences of \$124,992, other post-employment benefits obligation (OPEB) of \$40,100, and pension liability of \$989,761 are included in the above amounts. Also, for the governmental activities, claims payable, compensated absences, OPEB and net pension obligation are generally liquidated by the general fund. The developer advances will be liquidated from the TIF No. 1 District capital projects fund. The landfill closure and postclosure care costs will be liquidated from the landfill closure/postclosure fund.

**NOTES TO THE FINANCIAL STATEMENTS
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The debt service requirements for each bond type are as follows:

Governmental Activities:

Year Ending September 30	<u>General Obligation Bonds</u>			<u>Special Revenue Bonds</u>		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 3,098,644	\$ 1,080,039	\$ 4,178,683	\$ 451,353	\$ 143,644	\$ 594,997
2019	2,338,644	978,152	3,316,796	466,353	131,872	598,225
2020	2,428,644	887,148	3,315,792	481,353	118,297	599,650
2021	2,523,644	790,422	3,314,066	496,353	102,859	599,212
2022	2,628,644	687,331	3,315,975	511,353	86,132	597,485
2023-2027	9,649,879	2,167,420	11,817,299	2,229,173	142,953	2,372,126
2028-2032	7,443,663	935,491	8,379,154			
2033-2036	2,594,491	85,749	2,680,240			
Total	\$ 32,706,253	\$ 7,611,752	\$ 40,318,005	\$ 4,635,938	\$ 725,757	\$ 5,361,695

H. Risk Management and Other Information

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and, injuries to employees. A Schedule of Insurance Policies in Force showing the type of coverage, deductible, and liability limit is shown in Table 18 on page 104.

Workers' Compensation Insurance - The City has established the workers' compensation fund (an internal service fund) to account for workers' compensation uninsured risks of loss. Under this program, the workers' compensation fund provides coverage for up to a maximum of \$350,000 for each workers' compensation occurrence claim.

The costs associated with this self-insurance plan are funded by charges to the City's other funds. Liabilities include provisions for claims reported and claims incurred, but not reported. The provision for reported claims is computed by the City's third party administrator based upon standard actuarial principles. The provision for claims incurred, but not yet reported, is estimated based on the City's experience and an actuarial study that was performed during fiscal year 2017. State law provides that the City is relieved of liability if a notice of employee injury has not been received within 30 days of the date on which the injury occurs.

At September 30, 2017, the amount of workers' compensation liabilities was \$283,901. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses (ALAE), which are primarily legal expenses. Changes in the balance of claims liability during the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Changes in Estimates</u>	<u>Ending Fiscal Year Liability</u>
2015-2016	\$394,146	\$200,452	(\$296,078)	\$46,962	\$345,482
2016-2017	\$345,482	\$81,454	(\$155,076)	\$12,041	\$283,901

At September 30, 2017, workers' compensation fund cash and investments of \$756,379 were held for the purpose of funding future obligations. The City continues to carry commercial insurance for other risks of loss (except medical insurance as described in the following section). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Group Medical Insurance - The health claims fund (an internal service fund) was established to account for the provision of group medical insurance coverage for employees and their dependents. The City's medical insurance program is a "self-insured" plan funded by both the City and participating employees. The City makes a predetermined contribution to the plan each month for a portion of medical group insurance coverage. This is done on a bi-monthly basis for qualifying City employees and their dependents. Employees contribute through payroll deductions for the balance of their medical coverage.

The City's medical insurance program is made up of two contracts, a specific stop loss contract and an aggregate stop loss contract. The specific stop loss contract has a specific deductible of \$125,000 per individual and an \$80,000 aggregating specific corridor with an unlimited lifetime maximum benefit on eligible expenses. The aggregate stop loss contract has a minimum attachment point of \$4,104,134. The

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

attachment point may go up based on an increase in enrollment, but the minimum or lowest it will ever be is \$4,104,134. The aggregate contract will pay up to \$1,000,000 on total claims over the attachment point.

All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan and the City reimburses the insurance company for the amount of each claim paid. The insurance company charges the City a fee for this service.

At September 30, 2017, the amount of estimated claims payable was \$356,184. Changes in the reported liability since October 1, 2015 resulted from the following:

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
2015-2016	\$276,468	\$3,278,698	(\$3,183,808)	\$371,358
2016-2017	\$371,358	\$2,919,837	(\$2,935,011)	\$356,184

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by an independent consultant.

1) Commitments and Contingencies

The City has several long-term agreements with significant commitments as follows:

- a. City of Dallas Water Purchase Agreement - The City purchases treated water from the City of Dallas under a 30-year contract negotiated in August 2010. The City makes payments to the City of Dallas at a rate of \$.4416 per 1,000 gallons plus \$262,058 per year for each million gallons per day rate of flow (maximum delivery rate). The City paid \$5,598,144 to the City of Dallas for the fiscal year ended September 30, 2017.
- b. Trinity River Authority (the "Authority") Sewage Disposal Agreement - On November 29, 1973, the City, along with other cities, entered into a 50-year contract with the Authority, whereby the Authority will provide and operate a regional wastewater treatment plant and wastewater conveyance facility constructed with the Authority's funds. In return, the cities agreed to pay for such services based on a usage formula that will provide reimbursements for operations, maintenance, and debt service payments to the Authority. The cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its contributing flow to the system. The City paid \$4,260,938 to the Authority for the fiscal year ended September 30, 2017.

The City is involved in various legal actions in which claims of varying amounts are being asserted against the City. The City follows the practice of providing for these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of City management, these actions will not result in a significant impact of the City's financial position.

The City participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. For the year ended September 30, 2017, grant expenditures did not exceed the threshold for the single audit requirement; therefore, a single audit was not performed.

2) Postemployment Benefits Other Than Pensions

Plan Description - The City of Farmers Branch administers a single-employer defined contribution healthcare plan (the "Retiree Health Care Plan"). The plan contributes to postemployment healthcare benefits through the City's group health insurance plan, which covers both active and retired members (see funding policy below). Contributions are established through City policy as approved by City Council. The Retiree Health Care Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years, which do not need to be concurrent;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and,
- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must also be on the plan at that time.

**NOTES TO THE FINANCIAL STATEMENTS
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Funding Policy - The City contributes \$575 per month toward the cost of a health reimbursement account (HRA) administered through CONEXIS, plus an annual lump sum funding of \$500 to the HRA, and the full premium for life insurance coverage of \$12,000. The City's contribution for future health insurance premiums is capped at a maximum of \$575 per month. As an alternative, to the HRA, retirees may be provided an age-adjusted high deductible health insurance plan with no contribution from the City.

In fiscal year 2017, the City contributed \$485,055 to the plan. Plan members receiving benefits contribute the full group premium for dental or vision plans selected. They also pay the full premium for age-adjusted life insurance coverage if they choose coverage after they turn 65. In fiscal year 2017, total member contributions were \$50,287.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The City's annual OPEB cost for the fiscal year ending September 30, 2017 is as follows:

Annual required contribution (ARC)	\$ 751,059
Interest on OPEB obligation	68,823
Adjustment to ARC	(207,998)
Annual OPEB cost (expense) end of year	\$ 611,884
Net employer contributions	(485,055)
Increase in net OPEB obligation	\$ 126,829
Net OPEB obligation, beginning of year	1,720,569
Net OPEB obligation, end of year	\$ 1,847,398

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2017 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
2015	\$ 647,576	\$ 462,175	71%	\$ 1,505,369
2016	633,011	417,801	66%	1,720,569
2017	611,884	485,055	79%	1,847,398

Funded Status - The funded status of the City's retiree health care plan under GASB Statement No. 45 as of December 31, 2016 is as follows:

Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
12/31/2016	\$ 0	\$ 5,363,259	\$ 5,363,259	0.0%	\$ 12,839,573	41.8%

Under the reporting parameters, the City's retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by \$5,363,259 at December 31, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 41.8%.

Actuarial Methods and Assumptions - The Individual Entry Age Normal Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation rate	2.50% per annum
Investment rate of return	4.00% per annum, net of expenses
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Level Dollar
Amortization period	10-year open amortization
Payroll growth	NA
Medical trend	The City's subsidy is not expected to increase in the future.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions to the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3) Defined Benefit Pension Plan

Plan Description

The City of Farmers Branch participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS. The City does not participate in the Social Security system.

Benefits Provided

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

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

City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 200% of the employee's accumulated contributions. Beginning in 1996 the City granted, on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically computing the member's account balance by assuming that the current member deposit rate of 7% and City matching ratio of 2 to 1 has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the 2 to 1 City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Additionally initiated in 1996, the City provides, on an annually repeating basis, increases for retirees equal to 70% of the change in the Consumer Price Index (CPI).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years.

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	305
Inactive employees entitled to but not yet receiving benefits	295
Active employees	<u>380</u>
Total	980

Contributions

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

Employees for the City of Farmers Branch were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Farmers Branch were 17.75% and 18.37% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$5,042,680.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

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

Discount rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	\$ 236,830,239	\$ 202,763,784	\$ 34,066,455
Changes for the year:			
Service cost	4,616,826		4,616,826
Interest	15,747,728		15,747,728
Difference between expected and actual experience	1,000,031		1,000,031
Contributions - employer		4,776,281	(4,776,281)
Contributions - employee		1,920,471	(1,920,471)
Net investment income		13,701,366	(13,701,366)
Benefit payments, including refunds of employee contributions	(11,677,954)	(11,677,954)	
Administrative expense		(154,760)	154,760
Other changes		(8,338)	8,338
Net changes	\$ 9,686,631	\$ 8,557,066	\$ 1,129,565
Balance at 12/31/2016	\$ 246,516,870	\$ 211,320,850	\$ 35,196,020

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$69,053,659	\$35,196,020	\$7,380,121

Pension plan fiduciary net position:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended September 30, 2017, the City recognized pension expense of \$7,558,520.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 3,818,246	\$
Differences between projected and actual investment earnings	9,510,991	
Changes in actuarial assumptions	322,602	
Differences between expected and actual economic experience		762,290
Total	\$ 13,651,839	\$ 762,290

The amount of \$3,818,246 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ 2,637,895
2018	\$ 3,287,117
2019	\$ 3,056,279
2020	\$ 90,012
2021	\$ 0
Thereafter	\$ 0
Total	\$ 9,071,303

4) Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 80 - *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will become effective September 30, 2017. All applicable provisions have been included in the City's financial statements as of September 30, 2017.

The GASB has issued the following Statement(s) which will become effective in future years as shown below:

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement will become effective September 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 81 - *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will become effective September 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 82 - *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will become effective September 30, 2018. Management has not yet determined the impact of this Statement on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS (will ultimately be displayed)
(UNAUDITED)

Texas Municipal Retirement System			
Schedule of Changes in Net Pension Liability and Related Ratios			
Last 10 Years (will ultimately be displayed)			
Measurement Year	2014	2015	2016
Actuarial Valuation Date	12/31/2014	12/31/2015	12/31/2016
Total pension liability			
Service cost	\$ 4,007,557	\$ 4,261,691	\$ 4,616,826
Interest (on the total pension liability)	15,367,910	15,717,266	15,747,728
Changes of benefit terms	0	0	0
Difference between expected and actual experience	(3,914,413)	(698,312)	1,000,031
Change of assumptions	0	626,944	0
Benefit payments, including refunds of employee contributions	(10,236,923)	(10,957,740)	(11,677,954)
Net change in total pension liability	5,224,131	8,949,849	9,686,631
Total pension liability - beginning	222,656,259	227,880,390	236,830,239
Total pension liability - ending (a)	\$ 227,880,390	\$ 236,830,239	\$ 246,516,870
Plan fiduciary net position			
Contributions - employer	\$ 4,951,824	\$ 4,939,690	\$ 4,776,281
Contributions - employee	1,779,313	1,843,704	1,920,471
Net investment income	11,387,339	305,177	13,701,366
Benefit payments, including refunds of employee contributions	(10,236,923)	(10,957,740)	(11,677,954)
Administrative expense	(118,899)	(185,890)	(154,760)
Other	(9,775)	(9,182)	(8,338)
Net change in plan fiduciary net position	7,752,879	(4,064,241)	8,557,066
Plan fiduciary net position - beginning	199,075,146	206,828,025	202,763,784
Plan fiduciary net position - ending (b)	\$ 206,828,025	\$ 202,763,784	\$ 211,320,850
Net pension liability - ending [(a) - (b)]	\$ 21,052,365	\$ 34,066,455	\$ 35,196,020
Plan fiduciary net position as a percentage of total pension liability	90.76%	85.62%	85.72%
Covered employee payroll	\$ 25,406,973	\$ 25,797,163	\$ 26,888,911
Net pension liability as a percentage of covered employee payroll	82.86%	132.06%	130.89%

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Texas Municipal Retirement System - Schedule of Contributions							
Last Ten Fiscal Years							
Fiscal Year	(1) Actuarially determined contribution	(2) Contributions in relation to the actuarially determined contribution	(3) Contribution excess (deficiency) (2) - (1)	(4) Covered employee payroll	(5) Actuarially determined contributions as a percentage of covered payroll (1)/(4)	(6) Contributions as a percentage of covered employee payroll (2)/(4)	
2008	\$ 4,114,688	\$ 4,114,688	\$ 0	\$ 27,297,287	15.07%	15.07%	
2009	5,235,865	4,303,436	(932,429)	26,997,770	19.39%	15.94%	
2010	5,944,245	4,710,833	(1,233,412)	27,265,998	21.80%	17.28%	
2011	5,820,537	4,832,072	(988,465)	26,147,793	22.26%	18.48%	
2012	4,730,179	4,730,179	0	24,713,567	19.14%	19.14%	
2013	4,875,095	4,875,095	0	24,834,269	19.63%	19.63%	
2014	4,919,572	4,919,572	0	25,143,279	19.57%	19.57%	
2015	4,887,161	4,887,161	0	25,596,098	19.09%	19.09%	
2016	4,859,534	4,859,534	0	26,799,133	18.13%	18.13%	
2017	5,042,680	5,042,680	0	27,664,216	18.23%	18.23%	

**REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

29 Years

Asset Valuation Method

10 Year Smoothed Market, 15% Soft Corridor

Inflation

2.5%

Salary Increases

3.50% to 10.50% Including Inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.

Mortality

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rate multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes

There were no benefit changes during the year.

REQUIRED SUPPLEMENTARY INFORMATION
 RETIREE HEALTH PLAN
 SCHEDULE OF FUNDING PROGRESS
 LAST THREE FISCAL YEARS
 (UNAUDITED)

Retiree Health Care Plan Schedule of Funding Progress
 Last Three Fiscal Years

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll
2015	12/31/2014	\$ 0	\$ 4,917,608	\$ 4,917,608	0.0%	\$ 14,149,211	34.8%
2016	12/31/2014	0	4,917,608	4,917,608	0.0%	13,472,282	36.5%
2017	12/31/2016	0	5,363,259	5,363,259	0.0%	12,839,573	41.8%

* The annual covered payroll for the Retiree Benefit Plan includes only full time employees hired prior to January 1, 2007.

OTHER SUPPLEMENTARY INFORMATION

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COMBINING FINANCIAL STATEMENTS NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Funds:

Hotel/Motel - to account for receipt and allocation of the City's hotel/motel occupancy tax. Use of this tax is limited by law to the promotion of tourism. The City hotel occupancy tax rate for its twelve hotels is 7%.

Police Forfeitures - to account for proceeds from the sale of assets seized in connection with drug arrests. Revenues are restricted to law enforcement expenditures.

Donations - to account for voluntary contributions for community improvement.

Cemetery - to account for grounds maintenance of Keenan Cemetery.

Tax Increment Reinvestment Zone No. 3 - to dedicate certain tax increment revenues to the Mercer Crossing Development and apply these revenues to reduce the public improvement district assessments.

Grants - to account for grant revenues and expenditures.

Municipal Court Fees - to account for the municipal court building security fee dedicated to courthouse security and the municipal court technology fee for the purchase of technological enhancements.

Landfill Closure/Postclosure - to account for the accumulated contributions from a prior contract with Allied Waste North America, Inc. to provide resources for current and future landfill costs related to closure/postclosure.

Joint Fire Training - to account for the contributions from the participating cities to pay for the operations of the Joint Fire Training facility.

PEG Access Channel - to account for Public, Educational, Governmental (PEG) access channel capital support. Funding source is 1% of cable franchisees' gross revenue.

Farmers Branch Local Government Corporation - to account for activities to further the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in Farmers Branch, and currently to develop oil, natural gas and other mineral interests on behalf of the City.

Dangerous Structures Bond - to account for the costs related to the acquisition and demolition of dangerous structures (the Project) located within the City and the payment of professional services in connection with the Project. Funded by certificate of obligation proceeds.

DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest. The governmental long-term debt serviced by the Debt Service Fund consists of general obligation bonds and special revenue bonds.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by the Enterprise Fund. The following is a description of the City's Capital Projects Funds:

Non-Bond Capital Projects - to account for the acquisition and construction of major capital facilities.

Hotel/Motel - to account for the construction and financing of historical park improvements, funded by hotel/motel tax revenues.

Radio System Bond - to account for public radio system upgrades and improvements.

Consolidated Dispatch Bond - to account for acquiring, equipping, or constructing of joint public safety dispatch, communications, and training facilities.

Aquatic Center Bond - to account for the design, construction, and equipment for the new aquatics facility.

Justice Center Improvement Bond - to account for funds to be used for security upgrades, expansion and modernization including shielding for Police and Court, upgrades to locker rooms, evidence and patrol rooms for Police, and updates to jury deliberations and Marshal's office for Court.

TIF No. 1 District Fund - to account for infrastructure construction in the Mercer Crossing tax increment financing district and is funded from developer contributions, developer advances, and property tax payments.

TIF No. 2 District Fund - to account for infrastructure construction in the Old Farmers Branch tax increment financing district and is funded from developer contributions, developer advances, and property tax payments.

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COMBINING BALANCE SHEET - SUMMARY
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	\$ 6,828,016	\$ 721,035	\$ 7,464,324	\$ 15,013,375
Receivables (net of allowance for uncollectibles)	413,654	166,776	144,133	724,563
Accrued interest and other	36,363		36,570	72,933
Prepaid items	813			813
Total assets	<u>\$ 7,278,846</u>	<u>\$ 887,811</u>	<u>\$ 7,645,027</u>	<u>\$ 15,811,684</u>
LIABILITIES				
Accounts payable	\$ 497,677	\$	\$ 688,897	\$ 1,186,574
Deposits payable		300,000	86,287	386,287
Due to other funds	15,200			15,200
Unearned revenue - other	27,346			27,346
Total liabilities	<u>540,223</u>	<u>300,000</u>	<u>775,184</u>	<u>1,615,407</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue		99,435	23,696	123,131
Total deferred inflows of resources		<u>99,435</u>	<u>23,696</u>	<u>123,131</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	813			813
Restricted for:				
Construction of capital assets			4,447,667	4,447,667
Landfill closure / postclosure	3,649,966			3,649,966
Promotion of tourism	1,661,059			1,661,059
Purpose of grantors, trustees and donors	413,274			413,274
Economic development	80,220			80,220
Debt service		488,376		488,376
Law enforcement	933,252			933,252
Fire training operations	39			39
Assigned to:				
Construction of capital assets			2,398,480	2,398,480
Total fund balances	<u>6,738,623</u>	<u>488,376</u>	<u>6,846,147</u>	<u>14,073,146</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,278,846</u>	<u>\$ 887,811</u>	<u>\$ 7,645,027</u>	<u>\$ 15,811,684</u>

CITY OF FARMERS BRANCH, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2017

	Nonmajor Special Revenue Funds					
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Tax Increment Reinvestment Zone No. 3	Grants
ASSETS						
Cash, cash equivalents, and investments	\$ 1,432,878	\$ 180,702	\$ 211,025	\$ 4,220	\$ 80,074	\$ 51
Receivables (net of allowance for uncollectibles)	281,210	837				32,218
Accrued interest and other	12,344	1,041	1,168	20	146	
Prepaid items	813					
Total assets	<u>\$ 1,727,245</u>	<u>\$ 182,580</u>	<u>\$ 212,193</u>	<u>\$ 4,240</u>	<u>\$ 80,220</u>	<u>\$ 32,269</u>
LIABILITIES						
Accounts payable	\$ 65,373	\$ 703	\$ 2,679	\$	\$	\$ 12,944
Due to other funds						15,200
Unearned revenue - other		7,691				4,125
Total liabilities	<u>65,373</u>	<u>8,394</u>	<u>2,679</u>			<u>32,269</u>
FUND BALANCES						
Nonspendable:						
Prepaid items	813					
Restricted for:						
Landfill closure / postclosure						
Promotion of tourism	1,661,059					
Purpose of grantors, trustees, and donors			209,514	4,240		
Economic development					80,220	
Law enforcement		174,186				
Fire training operations						
Total fund balances	<u>1,661,872</u>	<u>174,186</u>	<u>209,514</u>	<u>4,240</u>	<u>80,220</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,727,245</u>	<u>\$ 182,580</u>	<u>\$ 212,193</u>	<u>\$ 4,240</u>	<u>\$ 80,220</u>	<u>\$ 32,269</u>

Nonmajor Special Revenue Funds					Total Nonmajor Special Revenue Funds
Municipal Court Fees	Landfill Closure / Postclosure	Joint Fire Training	PEG Access Channel	Farmers Branch Local Gov't Corporation	
\$ 980,671	\$ 3,739,982	\$ 15,983	\$ 141,747	\$ 40,683	\$ 6,828,016
82,897			16,492		413,654
559	20,461	26	598		36,363
					813
<u>\$ 1,064,127</u>	<u>\$ 3,760,443</u>	<u>\$ 16,009</u>	<u>\$ 158,837</u>	<u>\$ 40,683</u>	<u>\$ 7,278,846</u>
\$ 305,061	\$ 110,477	\$ 440	\$	\$	\$ 497,677
					15,200
		15,530			27,346
<u>305,061</u>	<u>110,477</u>	<u>15,970</u>			<u>540,223</u>
					813
	3,649,966				3,649,966
					1,661,059
			158,837	40,683	413,274
					80,220
759,066					933,252
		39			39
<u>759,066</u>	<u>3,649,966</u>	<u>39</u>	<u>158,837</u>	<u>40,683</u>	<u>6,738,623</u>
<u>\$ 1,064,127</u>	<u>\$ 3,760,443</u>	<u>\$ 16,009</u>	<u>\$ 158,837</u>	<u>\$ 40,683</u>	<u>\$ 7,278,846</u>

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2017

	Nonmajor Capital Projects Funds								Total
	Non-Bond	Hotel/ Motel	Radio System Bond	Consolidated Dispatch Bond	Aquatic Center Bond	Justice Center Improvement Bond	TIF District No. 1	TIF District No. 2	Nonmajor Capital Projects Funds
ASSETS									
Cash, cash equivalents, and investments	\$ 2,470,988	\$ 1,021,002	\$ 636,660	\$ 162,380	\$ 215,222	\$ 2,432,442	\$ 6,757	\$ 518,873	\$ 7,464,324
Receivables (net of allowance for uncollectibles)	56,906			72,305				14,922	144,133
Accrued interest and other	8,635	1,755	3,567	1,965	1,206	13,835	2,629	2,978	36,570
Total assets	<u>\$ 2,536,529</u>	<u>\$ 1,022,757</u>	<u>\$ 640,227</u>	<u>\$ 236,650</u>	<u>\$ 216,428</u>	<u>\$ 2,446,277</u>	<u>\$ 9,386</u>	<u>\$ 536,773</u>	<u>\$ 7,645,027</u>
LIABILITIES									
Accounts payable	\$ 109,275	\$	\$ 451,006	\$ 79,119	\$	\$ 49,497	\$	\$	\$ 688,897
Deposits payable	20,000			66,287					86,287
Total liabilities	<u>129,275</u>		<u>451,006</u>	<u>145,406</u>		<u>49,497</u>			<u>775,184</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	8,774							14,922	23,696
Total deferred inflows of resources	<u>8,774</u>							<u>14,922</u>	<u>23,696</u>
FUND BALANCES									
Restricted for:									
Construction of capital assets		1,022,757	189,221	91,244	216,428	2,396,780	9,386	521,851	4,447,667
Assigned to:									
Construction of capital assets	2,398,480								2,398,480
Total fund balances	<u>2,398,480</u>	<u>1,022,757</u>	<u>189,221</u>	<u>91,244</u>	<u>216,428</u>	<u>2,396,780</u>	<u>9,386</u>	<u>521,851</u>	<u>6,846,147</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,536,529</u>	<u>\$ 1,022,757</u>	<u>\$ 640,227</u>	<u>\$ 236,650</u>	<u>\$ 216,428</u>	<u>\$ 2,446,277</u>	<u>\$ 9,386</u>	<u>\$ 536,773</u>	<u>\$ 7,645,027</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SUMMARY
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$	\$ 4,252,941	\$	\$ 4,252,941
Hotel/motel taxes	2,892,655			2,892,655
Franchise taxes	68,134			68,134
Tax increment financing			3,481,586	3,481,586
Fines and forfeitures	923,386			923,386
Investment income	70,621	605,000	55,027	730,648
Intergovernmental	68,690		457,845	526,535
Miscellaneous	479,107		25,813	504,920
Total revenues	4,502,593	4,857,941	4,020,271	13,380,805
EXPENDITURES				
Current:				
General government	117,331			117,331
Public safety	932,124			932,124
Public works	833,124			833,124
Culture and recreation	1,875,280			1,875,280
Debt service:				
Principal retirement		3,315,000	1,290,000	4,605,000
Interest and fiscal agent charges		1,380,656		1,380,656
Capital outlay			3,953,301	3,953,301
Total expenditures	3,757,859	4,695,656	5,243,301	13,696,816
Excess (deficiency) of revenues over (under) expenditures	744,734	162,285	(1,223,030)	(316,011)
OTHER FINANCING SOURCES (USES)				
Transfers in			3,111,000	3,111,000
Transfers out	(3,259,107)	(600,000)		(3,859,107)
Total other financing sources (uses)	(3,259,107)	(600,000)	3,111,000	(748,107)
Net change in fund balances	(2,514,373)	(437,715)	1,887,970	(1,064,118)
Fund balances--beginning	9,252,996	926,091	4,958,177	15,137,264
Fund balances--ending	\$ 6,738,623	\$ 488,376	\$ 6,846,147	\$ 14,073,146

CITY OF FARMERS BRANCH, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Nonmajor Special Revenue Funds					
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Tax Increment Reinvestment Zone No. 3	Grants
REVENUES						
Hotel/motel taxes	\$ 2,892,655	\$	\$	\$	\$	\$
Franchise taxes						
Fines and forfeitures		19,529				
Investment income	34,335	1,496	1,759	30	220	
Intergovernmental						42,612
Miscellaneous	28,521		142,860	1,201	80,000	
Total revenues	2,955,511	21,025	144,619	1,231	80,220	42,612
EXPENDITURES						
General government			8,288			
Public safety		81,450	113,768			10,395
Public works						
Culture and recreation	1,832,930		10,133			32,217
Total expenditures	1,832,930	81,450	132,189			42,612
Excess (deficiency) of revenues over (under) expenditures	1,122,581	(60,425)	12,430	1,231	80,220	
OTHER FINANCING USES						
Transfers out	(1,854,900)					
Total other financing uses	(1,854,900)					
Net change in fund balances	(732,319)	(60,425)	12,430	1,231	80,220	
Fund balances--beginning	2,394,191	234,611	197,084	3,009		
Fund balances--ending	\$ 1,661,872	\$ 174,186	\$ 209,514	\$ 4,240	\$ 80,220	\$

Nonmajor Special Revenue Funds						Total
Municipal Court Fees	Landfill Closure / Postclosure	Joint Fire Training	PEG Access Channel	Farmers Branch Local Gov't Corporation	Dangerous Structures Bond	Nonmajor Special Revenue Funds
\$	\$	\$	\$	\$	\$	\$ 2,892,655
			68,134			68,134
903,857						923,386
841	30,788	39	901		212	70,621
		26,078				68,690
					226,525	479,107
904,698	30,788	26,117	69,035		226,737	4,502,593
103,976			5,067			117,331
700,433		26,078				932,124
	833,124					833,124
						1,875,280
804,409	833,124	26,078	5,067			3,757,859
100,289	(802,336)	39	63,968		226,737	744,734
					(1,404,207)	(3,259,107)
					(1,404,207)	(3,259,107)
100,289	(802,336)	39	63,968		(1,177,470)	(2,514,373)
658,777	4,452,302		94,869	40,683	1,177,470	9,252,996
\$ 759,066	\$ 3,649,966	\$ 39	\$ 158,837	\$ 40,683	\$	\$ 6,738,623

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Nonmajor Capital Projects Funds							Total Nonmajor Capital Projects Funds
	Non-Bond	Hotel/ Motel	Radio System Bond	Consolidated Dispatch Bond	Aquatic Center Bond	Justice Center Improvement Bond	TIF District No. 1	TIF District No. 2
REVENUES								
Tax increment financing	\$	\$	\$	\$	\$	\$	\$ 2,483,682	\$ 997,904
Investment income	12,993	2,641	5,367	2,957	1,815	20,817	3,956	4,481
Intergovernmental	457,845							
Miscellaneous						25,813		
Total revenues	470,838	2,641	5,367	2,957	1,815	46,630	2,487,638	1,002,385
EXPENDITURES								
Principal retirement							1,290,000	
Capital outlay	1,325,453		57,988	421,300	25,112	255,730	1,198,341	669,377
Total expenditures	1,325,453		57,988	421,300	25,112	255,730	2,488,341	669,377
Excess (deficiency) of revenues over (under) expenditures	(854,615)	2,641	(52,621)	(418,343)	(23,297)	(209,100)	(703)	333,008
OTHER FINANCING SOURCES								
Transfers in	2,125,000	986,000						
Total other financing sources	2,125,000	986,000						
Net change in fund balances	1,270,385	988,641	(52,621)	(418,343)	(23,297)	(209,100)	(703)	333,008
Fund balances--beginning	1,128,095	34,116	241,842	509,587	239,725	2,605,880	10,089	188,843
Fund balances--ending	\$ 2,398,480	\$ 1,022,757	\$ 189,221	\$ 91,244	\$ 216,428	\$ 2,396,780	\$ 9,386	\$ 521,851

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

General Fund, Nonmajor Special Revenue Funds, and Debt Service Fund

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
REVENUES						
Property taxes	\$ 24,450,000	\$ 23,974,400	\$ 24,163,645	\$	\$ 24,163,645	\$ 189,245
Sales and use taxes	14,215,000	13,947,200	13,936,336		13,936,336	(10,864)
Franchise taxes	4,516,000	4,217,200	4,187,078		4,187,078	(30,122)
Licenses and permits	1,909,000	2,138,200	2,024,453		2,024,453	(113,747)
Charges for services	6,464,800	5,498,100	5,487,380		5,487,380	(10,720)
Fines and forfeitures	2,717,000	2,241,500	2,253,046		2,253,046	11,546
Investment income	730,000	747,000	677,892		677,892	(69,108)
Intergovernmental		150,000	150,000		150,000	
Miscellaneous	54,000	231,500	239,474		239,474	7,974
Total revenues	55,055,800	53,145,100	53,119,304		53,119,304	(25,796)
EXPENDITURES						
General government:						
General government	4,324,100	2,863,600	2,568,960	29,423	2,598,383	265,217
General administration	2,659,000	3,642,800	3,142,327	(85,507)	3,056,820	585,980
Human resources	988,300	1,020,300	905,074	(16,905)	888,169	132,131
Finance	4,995,900	4,984,400	4,701,560	(115,853)	4,585,707	398,693
Community services	2,788,600	2,776,800	2,738,115	(70,128)	2,667,987	108,813
Public safety:						
Police	13,093,700	13,151,300	12,981,812	(45,043)	12,936,769	214,531
Fire	11,414,300	11,898,900	11,686,887	(2,235)	11,684,652	214,248
Public works:						
Public works	7,932,700	7,768,100	7,624,993	(270,174)	7,354,819	413,281
Culture and recreation:						
Parks and recreation	9,677,600	9,661,700	9,360,408	(85,024)	9,275,384	386,316
Library	1,873,000	1,797,600	1,761,568	4,926	1,766,494	31,106
Total expenditures	59,747,200	59,565,500	57,471,704	(656,520)	56,815,184	2,750,316
Deficiency of revenues						
under expenditures	(4,691,400)	(6,420,400)	(4,352,400)	656,520	(3,695,880)	2,724,520
OTHER FINANCING SOURCES (USES)						
Transfers in	5,449,900	6,449,900	6,604,107		6,604,107	154,207
Transfers out	(1,125,000)	(1,125,000)	(1,125,000)		(1,125,000)	
Sale of general capital assets	150,000	55,000	159,088		159,088	104,088
Insurance recoveries	21,500	137,500	156,078		156,078	18,578
Total other financing sources	4,496,400	5,517,400	5,794,273		5,794,273	276,873
Net change in fund balance	(195,000)	(903,000)	1,441,873	656,520	2,098,393	3,001,393
Fund balances--beginning	11,710,470	11,710,470	12,888,605	(1,178,135)	11,710,470	
Fund balances--ending	\$ 11,515,470	\$ 10,807,470	\$ 14,330,478	\$ (521,615)	\$ 13,808,863	\$ 3,001,393

CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Hotel/Motel			Police Forfeitures		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$ 2,900,000	\$ 2,892,655	\$ (7,345)	\$	\$	\$
Fines, forfeitures, and assessments				57,000	19,529	(37,471)
Franchise taxes						
Investment income	39,000	34,335	(4,665)		1,496	1,496
Intergovernmental						
Donations and miscellaneous	31,300	28,521	(2,779)			
Total revenues	2,970,300	2,955,511	(14,789)	57,000	21,025	(35,975)
EXPENDITURES						
General government						
Public safety				74,500	43,310	31,190
Public works						
Culture and recreation	2,150,200	1,828,658	321,542			
Total expenditures	2,150,200	1,828,658	321,542	74,500	43,310	31,190
Excess (deficiency) of revenues over (under) expenditures	820,100	1,126,853	306,753	(17,500)	(22,285)	(4,785)
OTHER FINANCING USES						
Transfers out	(1,854,900)	(1,854,900)				
Total other financing uses	(1,854,900)	(1,854,900)				
Net change in fund balances	(1,034,800)	(728,047)	306,753	(17,500)	(22,285)	(4,785)
Fund balances--beginning	2,016,781	2,016,781		192,376	192,376	
Fund balances--ending	\$ 981,981	\$ 1,288,734	\$ 306,753	\$ 174,876	\$ 170,091	\$ (4,785)

Donations			Cemetery			Tax Increment Reinvestment Zone No. 3		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,759	1,759		30	30		220	220
166,400	142,860	(23,540)		1,201	1,201		80,000	80,000
166,400	144,619	(21,781)		1,231	1,231		80,220	80,220
13,991	8,288	5,703						
117,400	113,768	3,632						
25,371	10,133	15,238						
156,762	132,189	24,573						
9,638	12,430	2,792		1,231	1,231		80,220	80,220
9,638	12,430	2,792		1,231	1,231		80,220	80,220
197,084	197,084		3,009	3,009				
\$ 206,722	\$ 209,514	\$ 2,792	\$ 3,009	\$ 4,240	\$ 1,231	\$	\$ 80,220	\$ 80,220

CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Grants			Municipal Court Fees		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$	\$	\$	\$	\$	\$
Fines, forfeitures, and assessments				752,550	903,855	151,305
Franchise taxes						
Investment income				2,000	841	(1,159)
Intergovernmental	41,817	42,612	795			
Donations and miscellaneous						
Total revenues	41,817	42,612	795	754,550	904,696	150,146
EXPENDITURES						
General government				111,000	99,576	11,424
Public safety	9,600	10,395	(795)	739,900	700,433	39,467
Public works						
Culture and recreation	32,217	32,217				
Total expenditures	41,817	42,612	(795)	850,900	800,009	50,891
Excess (deficiency) of revenues over (under) expenditures				(96,350)	104,687	201,037
OTHER FINANCING USES						
Transfers out						
Total other financing uses						
Net change in fund balances				(96,350)	104,687	201,037
Fund balances--beginning				654,377	654,377	
Fund balances--ending	\$	\$	\$	\$ 558,027	\$ 759,064	\$ 201,037

Landfill Closure / Postclosure			Joint Fire Training			PEG Access Channel		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
\$	\$	\$	\$	\$	\$	\$	\$	\$
						70,000	68,134	(1,866)
30,000	30,788	788		39	39		901	901
			26,000	26,078	78			
30,000	30,788	788	26,000	26,117	117	70,000	69,035	(965)
						44,000	43,537	463
			26,000	26,078	(78)			
2,491,600	851,826	1,639,774						
2,491,600	851,826	1,639,774	26,000	26,078	(78)	44,000	43,537	463
(2,461,600)	(821,038)	1,640,562		39	39	26,000	25,498	(502)
(2,461,600)	(821,038)	1,640,562		39	39	26,000	25,498	(502)
4,154,143	4,154,143					94,869	94,869	
\$ 1,692,543	\$ 3,333,105	\$ 1,640,562	\$	\$ 39	\$ 39	\$ 120,869	\$ 120,367	\$ (502)

(continued)

CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Farmers Branch Local Gov't Corporation			Dangerous Structures Bond		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$	\$	\$	\$	\$	\$
Fines, forfeitures, and assessments						
Franchise taxes						
Investment income					212	212
Intergovernmental						
Donations and miscellaneous					226,525	226,525
Total revenues					226,737	226,737
EXPENDITURES						
General government						
Public safety						
Public works						
Culture and recreation						
Total expenditures						
Excess (deficiency) of revenues over (under) expenditures					226,737	226,737
OTHER FINANCING USES						
Transfers out				(1,250,000)	(1,404,207)	(154,207)
Total other financing uses				(1,250,000)	(1,404,207)	(154,207)
Net change in fund balances				(1,250,000)	(1,177,470)	72,530
Fund balances--beginning	40,683	40,683		1,177,470	1,177,470	
Fund balances--ending	\$ 40,683	\$ 40,683	\$	\$ (72,530)	\$	\$ 72,530

Exhibit G-2
(Page 3 of 3)

Totals

Revised Budget	Actual Budget Basis	Variance
\$ 2,900,000	\$ 2,892,655	\$ (7,345)
809,550	923,384	113,834
70,000	68,134	(1,866)
71,000	70,621	(379)
67,817	68,690	873
197,700	479,107	281,407
4,116,067	4,502,591	386,524
168,991	151,401	17,590
967,400	893,984	73,416
2,491,600	851,826	1,639,774
2,207,788	1,871,008	336,780
5,835,779	3,768,219	2,067,560
(1,719,712)	734,372	2,454,084
(3,104,900)	(3,259,107)	(154,207)
(3,104,900)	(3,259,107)	(154,207)
(4,824,612)	(2,524,735)	2,299,877
8,530,792	8,530,792	
\$ 3,706,180	\$ 6,006,057	\$ 2,299,877

(concluded)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Revised Budget	Actual Budget Basis	Variance
REVENUES			
Property taxes	\$ 4,136,800	\$ 4,252,941	\$ 116,141
Investment income	605,000	605,000	
Total revenues	4,741,800	4,857,941	116,141
EXPENDITURES			
Principal retirement	3,315,000	3,315,000	
Interest and fiscal agent charges	1,380,700	1,380,656	44
Total expenditures	4,695,700	4,695,656	44
Excess of revenues over expenditures	46,100	162,285	116,185
OTHER FINANCING USES			
Transfers out	(600,000)	(600,000)	
Total other financing uses	(600,000)	(600,000)	
Net change in fund balances	(553,900)	(437,715)	116,185
Fund balances--beginning	926,091	926,091	
Fund balances--ending	\$ 372,191	\$ 488,376	\$ 116,185

COMBINING FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing services provided by one department to other departments of the City on a cost reimbursement basis. The following is a description of the City's Internal Service Funds:

Fleet & Facilities Management Fund - to account for materials and supplies provided exclusively to other funds and departments of the City.

Workers' Compensation Fund - to account for the City's workers' compensation self-insurance program.

Health Claims Fund – to account for the City's group health self-insurance program for employees, retirees, and their immediate families.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017

	Fleet & Facilities Management	Workers' Compensation	Health Claims	Total
ASSETS				
Current assets:				
Cash, cash equivalents, and investments	\$ 1,061,807	\$ 756,379	\$ 1,251,441	\$ 3,069,627
Receivables (net of allowance for uncollectibles)			13,957	13,957
Inventories	24,883			24,883
Prepaid items	4,938			4,938
Deposits		40,000		40,000
Total current assets	1,091,628	796,379	1,265,398	3,153,405
Noncurrent assets:				
Capital assets:				
Nondepreciable	8,170			8,170
Depreciable, net of accumulated depreciation	331,683			331,683
Total noncurrent assets	339,853			339,853
Total assets	1,431,481	796,379	1,265,398	3,493,258
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pensions subsequent to the measurement date	100,307			100,307
Differences between projected and actual investment earnings on pensions	245,011			245,011
Differences due to changes in actuarial assumptions on pensions	8,106			8,106
Total deferred outflows of resources	353,424			353,424
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	209,836	32,370	89,123	331,329
Compensated absences	27,142			27,142
Claims payable		136,272	356,184	492,456
Total current liabilities	236,978	168,642	445,307	850,927
Noncurrent liabilities:				
Compensated absences	97,850			97,850
Claims payable		147,629		147,629
Net pension liability	989,761			989,761
Other post employment benefits obligation	40,100			40,100
Total noncurrent liabilities	1,127,711	147,629		1,275,340
Total liabilities	1,364,689	316,271	445,307	2,126,267
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual economic experience on pensions	25,162			25,162
NET POSITION				
Net investment in capital assets	339,853			339,853
Unrestricted	55,201	480,108	820,091	1,355,400
Total net position	\$ 395,054	\$ 480,108	\$ 820,091	\$ 1,695,253

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Fleet & Facilities Management	Workers' Compensation	Health Claims	Total
Operating revenues				
Charges for services	\$ 4,231,315	\$	\$	\$ 4,231,315
Contributions and miscellaneous	3,008	336,782	3,912,507	4,252,297
Total operating revenues	4,234,323	336,782	3,912,507	8,483,612
Operating expenses				
Personal services	1,057,681			1,057,681
Materials and supplies	1,603,857			1,603,857
Maintenance and utilities	1,576,075			1,576,075
Insurance claims and expenses		134,047	3,504,628	3,638,675
Depreciation	83,060			83,060
Total operating expenses	4,320,673	134,047	3,504,628	7,959,348
Operating income (loss)	(86,350)	202,735	407,879	524,264
Transfers out		(203,100)	(250,000)	(453,100)
Change in net position	(86,350)	(365)	157,879	71,164
Net position--beginning	481,404	480,473	662,212	1,624,089
Net position--ending	\$ 395,054	\$ 480,108	\$ 820,091	\$ 1,695,253

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Fleet & Facilities Management	Workers' Compensation	Health Claims	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 4,234,323	\$ 345,782	\$ 3,912,654	\$ 8,492,759
Payments to suppliers	(3,225,913)			(3,225,913)
Payments to employees	(971,168)			(971,168)
Payments for claims		(211,306)	(3,497,917)	(3,709,223)
Net cash provided by operating activities	37,242	134,476	414,737	586,455
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer out to other funds		(203,100)	(250,000)	(453,100)
Net cash used for noncapital financing activities		(203,100)	(250,000)	(453,100)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(35,006)			(35,006)
Net cash used for capital and related financing activities	(35,006)			(35,006)
Net increase (decrease) in cash and cash equivalents	2,236	(68,624)	164,737	98,349
Cash and cash equivalents - beginning of year	1,059,571	825,003	1,086,704	2,971,278
Cash and cash equivalents - end of year	\$ 1,061,807	\$ 756,379	\$ 1,251,441	\$ 3,069,627
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (86,350)	\$ 202,735	\$ 407,879	\$ 524,264
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	83,060			83,060
Changes in assets and liabilities:				
Decrease in receivables			147	147
Decrease in inventories	2,277			2,277
Decrease in deposits		9,000		9,000
Decrease in prepaid items	3,578			3,578
Decrease in deferred inflow of resources	(49,102)			(49,102)
Increase (decrease) in accrued liabilities	(50,404)	(15,678)	21,885	(44,197)
Decrease in claims payable		(61,581)	(15,174)	(76,755)
Increase in net pension liability	29,892			29,892
Increase in OPEB liability	2,769			2,769
Increase in accrued compensated absences	15,194			15,194
Decrease in deferred outflows of resources	86,328			86,328
Net cash provided by operating activities	\$ 37,242	\$ 134,476	\$ 414,737	\$ 586,455

STATISTICAL SECTION (Unaudited)

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

		Page
Financial Trends	These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	78 – 85
Revenue Capacity	These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	86 – 93
Debt Capacity	These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	94 – 96
Demographic & Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	97 – 98
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	99 – 104
Other Information	This schedule offers additional analysis regarding rapidly growing expenses or areas of financial concern that are of interest to the users of the financial statements.	105

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

CITY OF FARMERS BRANCH, TEXAS

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(UNAUDITED)

	Fiscal Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:					
Net investment in capital assets	\$ 103,125,530	\$ 101,952,256	\$ 104,287,452	\$ 102,606,658	\$ 101,949,868
Restricted	4,597,310	6,735,813	3,481,483	3,717,854	3,451,946
Unrestricted	8,317,303	(3,195,423)	(11,074,138)	(11,993,823)	(14,520,916)
Total governmental activities net position	<u>\$ 116,040,143</u>	<u>\$ 105,492,646</u>	<u>\$ 96,694,797</u>	<u>\$ 94,330,689</u>	<u>\$ 90,880,898</u>
Business-type activities:					
Net investment in capital assets	\$ 44,301,036	\$ 43,477,996	\$ 42,116,214	\$ 40,934,305	\$ 40,608,870
Unrestricted	17,149,733	16,882,766	15,985,128	15,810,965	15,129,064
Total business-type activities net position	<u>\$ 61,450,769</u>	<u>\$ 60,360,762</u>	<u>\$ 58,101,342</u>	<u>\$ 56,745,270</u>	<u>\$ 55,737,934</u>
Primary government:					
Net investment in capital assets	\$ 147,426,566	\$ 145,430,252	\$ 146,403,666	\$ 143,540,963	\$ 142,558,738
Restricted	4,597,310	6,735,813	3,481,483	3,717,854	3,451,946
Unrestricted	25,467,036	13,687,343	4,910,990	3,817,142	608,148
Total primary government net position	<u>\$ 177,490,912</u>	<u>\$ 165,853,408</u>	<u>\$ 154,796,139</u>	<u>\$ 151,075,959</u>	<u>\$ 146,618,832</u>

Notes:

- (1) The fiscal year 2008 and 2009 governmental activities net investment in capital assets and unrestricted net position have been restated with the retroactive application of GASB Statement 51 to include intangible assets.
- (2) The fiscal year 2010 governmental activities were restated with implementation of GASB Statement 61 and inclusion of the Farmers Branch Local Government Corporation as a blended component unit instead of as a discretely presented component unit.
- (3) The fiscal year 2011 governmental activities were restated with implementation of GASB Statement 65 and elimination of deferred charges for issuance costs.
- (4) The fiscal year 2015 governmental activities were restated with implementation of GASB Statements 68 & 71 to record a beginning net pension liability and deferred outflow of resources for contributions made between the measurement date and fiscal year end.

TABLE 1

Fiscal Year				
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 100,736,048	\$ 97,650,889	\$ 98,590,058	\$ 98,496,787	\$ 102,598,166
3,593,339	4,792,147	6,147,754	7,152,723	5,347,455
(16,136,740)	(16,653,141)	(31,206,669)	(32,114,251)	(24,589,681)
<u>\$ 88,192,647</u>	<u>\$ 85,789,895</u>	<u>\$ 73,531,143</u>	<u>\$ 73,535,259</u>	<u>\$ 83,355,940</u>
\$ 40,637,368	\$ 40,410,276	\$ 42,443,950	\$ 41,529,619	\$ 40,158,599
13,945,376	11,487,795	9,076,311	10,471,923	12,805,807
<u>\$ 54,582,744</u>	<u>\$ 51,898,071</u>	<u>\$ 51,520,261</u>	<u>\$ 52,001,542</u>	<u>\$ 52,964,406</u>
\$ 141,373,416	\$ 138,061,165	\$ 141,034,008	\$ 140,026,406	\$ 142,756,765
3,593,339	4,792,147	6,147,754	7,152,723	5,347,455
(2,191,364)	(5,165,346)	(22,130,358)	(21,642,328)	(11,783,874)
<u>\$ 142,775,391</u>	<u>\$ 137,687,966</u>	<u>\$ 125,051,404</u>	<u>\$ 125,536,801</u>	<u>\$ 136,320,346</u>

CITY OF FARMERS BRANCH, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

(UNAUDITED)

	Fiscal Year							
	2008	2009	2010	2011	2012	2013	2014	2015
Expenses								
Governmental activities								
General government	\$ 12,551,044	\$ 11,451,648	\$ 16,076,317	\$ 11,808,807	\$ 11,884,776	\$ 10,914,452	\$ 13,133,503	\$ 12,623,901
Public safety	20,503,576	21,375,045	22,032,570	22,439,143	21,414,818	22,772,965	22,147,916	22,025,873
Public works	11,198,781	16,056,692	9,739,019	8,562,557	8,509,565	8,875,224	11,683,321	9,414,374
Culture and recreation	12,329,063	12,838,761	13,335,886	12,824,261	12,866,193	12,739,313	11,820,723	12,588,417
Interest on long-term debt	1,696,424	1,662,921	1,925,378	1,821,645	1,775,374	1,887,714	2,141,082	2,344,088
Unallocated depreciation	132,412	32,530	129,904	126,464	605,266	126,464	126,464	126,464
Total governmental activities expenses	58,411,300	63,417,597	63,239,074	57,582,877	57,055,992	57,316,132	61,053,009	59,123,117
Business-type activities:								
Water and sewer	11,653,500	12,202,196	12,889,881	11,937,355	11,712,523	12,249,982	12,393,782	13,095,850
Public improvement district								570,356
Total business-type activities expenses	11,653,500	12,202,196	12,889,881	11,937,355	11,712,523	12,249,982	12,393,782	13,666,206
Total primary government expenses	\$ 70,064,800	\$ 75,619,793	\$ 76,128,955	\$ 69,520,232	\$ 68,768,515	\$ 69,566,114	\$ 73,446,791	\$ 72,789,323
Program Revenues								
Governmental activities:								
Charges for services								
Public safety	\$ 3,974,945	\$ 3,840,336	\$ 4,264,166	\$ 4,241,073	\$ 3,989,457	\$ 4,283,496	\$ 4,379,539	\$ 4,441,054
Public works	2,914,097	2,202,169	2,753,067	2,726,198	2,308,598	2,254,323	2,279,435	2,287,633
Other	1,896,556	1,493,047	1,519,291	2,109,977	2,356,793	2,386,019	2,081,908	3,346,842
Operating grants and contributions	309,283	134,927	245,328	151,228	310,341	781,993	552,131	335,647
Capital grants and contributions	1,552,729	292,271	1,460,179	720,581	709,138	303,998	98,600	401,271
Total governmental activities program revenues	10,647,610	7,962,750	10,242,031	9,949,057	9,674,327	10,009,829	9,391,613	10,812,447
Business-type activities:								
Charges for services	13,541,391	14,188,751	13,368,650	14,737,572	14,059,819	14,194,339	14,576,404	17,746,563
Capital grants and contributions							290,890	3,800
Total business-type activities program revenues	13,541,391	14,188,751	13,368,650	14,737,572	14,059,819	14,194,339	14,867,294	17,750,363
Total primary government program revenues	\$ 24,189,001	\$ 22,151,501	\$ 23,610,681	\$ 24,686,629	\$ 23,734,146	\$ 24,204,168	\$ 24,258,907	\$ 28,562,810
Net (Expense)/Revenue								
Governmental activities	\$ (47,763,690)	\$ (55,454,847)	\$ (52,997,043)	\$ (47,633,820)	\$ (47,381,665)	\$ (47,306,303)	\$ (51,661,396)	\$ (48,310,670)
Business-type activities	1,887,891	1,986,555	478,769	2,800,217	2,347,296	1,944,357	2,473,512	4,084,157
Total primary government net expense	\$ (45,875,799)	\$ (53,468,292)	\$ (52,518,274)	\$ (44,833,603)	\$ (45,034,369)	\$ (45,361,946)	\$ (49,187,884)	\$ (44,226,513)
General Revenues and Other Changes in Net Position								
Governmental activities								
Taxes								
Property taxes, levied for general purposes	\$ 16,646,283	\$ 17,087,985	\$ 18,311,639	\$ 18,109,178	\$ 17,284,378	\$ 17,707,657	\$ 18,886,710	\$ 20,727,595
Property taxes, levied for debt service	2,139,338	2,147,917	2,731,178	1,474,045	1,506,258	1,284,446	2,075,008	3,903,953
Sales and use taxes	12,458,643	11,912,047	10,890,296	11,988,696	12,750,809	13,689,917	13,430,485	13,363,544
Other taxes	8,281,023	8,332,827	7,649,667	8,050,487	7,123,827	7,471,449	7,724,433	8,508,637
Investment income	3,010,414	2,039,487	1,777,261	1,379,360	1,341,782	1,386,221	1,872,535	1,591,991
Gain on sale/retirement of capital assets	222,568	36,787	20,953	56,546	536,320	4,862	36,873	124,938
Transfers	1,198,867	3,350,300	2,818,200	4,211,400	3,388,500	3,073,500	5,232,600	3,469,420
Total governmental activities	43,957,136	44,907,350	44,199,194	45,269,712	43,931,874	44,618,052	49,258,644	51,690,078
Business-type activities:								
Investment income	428,409	248,022	62,486	55,111	33,868	20,563	17,915	21,560
Gain on sale/retirement of capital assets	22,749	25,716	17,525			(46,610)	56,500	
Transfers	(1,198,867)	(3,350,300)	(2,818,200)	(4,211,400)	(3,388,500)	(3,073,500)	(5,232,600)	(3,469,420)
Total business-type activities	(747,709)	(3,076,562)	(2,738,189)	(4,156,289)	(3,354,632)	(3,099,547)	(5,158,185)	(3,447,860)
Total primary government	\$ 43,209,427	\$ 41,830,788	\$ 41,461,005	\$ 41,113,423	\$ 40,577,242	\$ 41,518,505	\$ 44,100,459	\$ 48,242,218
Change in Net Position								
Governmental activities	\$ (3,806,554)	\$ (10,547,497)	\$ (8,797,849)	\$ (2,364,108)	\$ (3,449,791)	\$ (2,688,251)	\$ (2,402,752)	\$ 3,379,408
Business-type activities	1,140,182	(1,090,007)	(2,259,420)	(1,356,072)	(1,007,336)	(1,155,190)	(2,684,673)	636,297
Total primary government	\$ (2,666,372)	\$ (11,637,504)	\$ (11,057,269)	\$ (3,720,180)	\$ (4,457,127)	\$ (3,843,441)	\$ (5,087,425)	\$ 4,015,705

Notes:

(1) The fiscal year 2008 and 2009 governmental activities net investment in capital assets and unrestricted net position have been restated with the retroactive application of GASB Statement 51 to include intangible assets.

(2) The fiscal year 2010 governmental activities were restated with implementation of GASB Statement 61 and inclusion of the Farmers Branch Local Government Corporation as a blended component unit instead of as a discretely presented component unit.

(3) The fiscal year 2011 governmental activities were restated with implementation of GASB Statement 65 and elimination of deferred charges for issuance costs.

(4) The fiscal year 2015 governmental activities were restated with implementation of GASB 68 & 71 to record a beginning net pension liability and deferred outflow of resources for contributions made between the measurement date and fiscal year end.

TABLE 2

Fiscal Year	
<u>2016</u>	<u>2017</u>
\$ 14,578,536	\$ 16,573,789
25,223,791	26,982,151
9,262,380	304,447
14,084,036	14,415,728
2,359,900	2,217,026
273,962	277,305
65,782,605	60,770,446
15,187,138	16,086,557
274,895	647,624
15,462,033	16,734,181
\$ 81,244,638	\$ 77,504,627
\$ 4,694,946	\$ 4,734,932
2,481,706	2,651,878
2,952,599	3,581,692
349,473	600,602
253,844	560,197
10,732,568	12,129,301
20,083,136	21,271,417
20,083,136	21,271,417
\$ 30,815,704	\$ 33,400,718
\$ (55,050,037)	\$ (48,641,145)
4,621,103	4,537,236
\$ (50,428,934)	\$ (44,103,909)
\$ 22,191,443	\$ 24,509,410
3,926,612	4,291,764
13,639,841	13,936,336
9,457,598	10,600,730
1,664,659	1,447,475
	59,927
4,174,000	3,616,184
55,054,153	58,461,826
34,178	41,812
(4,174,000)	(3,616,184)
(4,139,822)	(3,574,372)
\$ 50,914,331	\$ 54,887,454
\$ 4,116	\$ 9,820,681
481,281	962,864
\$ 485,397	\$ 10,783,545

CITY OF FARMERS BRANCH, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(UNAUDITED)

	Fiscal Year					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund						
Nondisposable	\$ 20,853	\$ 17,375	\$ 7,567	\$ 50,752	\$ 68,355	\$ 53,954
Committed	65,100	40,277				
Assigned	2,321,595	1,100,824	394,086	2,314,053	2,901,641	3,011,161
Unassigned	6,633,937	7,670,573	8,226,571	9,280,794	8,629,830	8,942,763
Total general fund	<u>\$ 9,041,485</u>	<u>\$ 8,829,049</u>	<u>\$ 8,628,224</u>	<u>\$ 11,645,599</u>	<u>\$ 11,599,826</u>	<u>\$ 12,007,878</u>
All Other Governmental Funds						
Nondisposable	\$ 204,406	\$ 333,931	\$ 205,312	\$ 212,669	\$ 5,518	\$ 5,625
Restricted	22,688,373	15,832,658	20,614,884	16,893,106	13,893,159	22,579,131
Assigned	6,370,872	2,336,975	2,487,727	1,953,244	538,109	442,101
Unassigned			(130,728)	(77,942)		
Total all other governmental funds	<u>\$ 29,263,651</u>	<u>\$ 18,503,564</u>	<u>\$ 23,177,195</u>	<u>\$ 18,981,077</u>	<u>\$ 14,436,786</u>	<u>\$ 23,026,857</u>

Notes:

(1) Fiscal year 2008 has been reclassified with implementation of GASB Statement 54 in fiscal year 2009.

(2) Fiscal year 2010 was restated with implementation of GASB Statement 61 in fiscal year 2011.

TABLE 3

Fiscal Year			
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 69,257	\$ 132,756	\$ 448,649	\$ 517,318
3,731,449	4,676,363	4,182,793	3,629,261
7,538,450	7,907,059	8,257,163	10,183,899
<u>\$ 11,339,156</u>	<u>\$ 12,716,178</u>	<u>\$ 12,888,605</u>	<u>\$ 14,330,478</u>
\$ 5,703	\$ 5,647	\$ 1,178,410	\$ 813
33,062,581	22,883,726	19,182,416	15,144,319
510,988	990,659	1,842,960	2,398,480
<u>\$ 33,579,272</u>	<u>\$ 23,880,032</u>	<u>\$ 22,203,786</u>	<u>\$ 17,543,612</u>

CITY OF FARMERS BRANCH, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(UNAUDITED)

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
REVENUES						
Property taxes	\$ 18,749,053	\$ 19,256,366	\$ 21,260,191	\$ 19,638,998	\$ 18,743,734	\$ 19,200,726
Sales and use taxes	12,458,643	11,912,047	10,890,296	11,988,696	12,750,809	13,689,917
Hotel/motel taxes	2,507,434	1,974,308	1,821,619	2,017,819	1,932,530	2,253,459
Franchise taxes	4,550,441	4,338,892	4,217,372	4,628,888	4,224,443	4,419,509
Tax increment financing	1,511,538	2,097,654	931,118	1,879,338	868,477	910,899
Licenses and permits	769,575	485,241	559,979	886,511	1,012,913	1,015,017
Charges for services	5,042,920	4,360,812	4,803,469	4,780,573	4,624,287	4,539,757
Fines and forfeitures	2,735,027	2,576,170	3,052,061	3,114,924	2,855,363	3,070,412
Special assessments	107,543	587,540	443,793	14,096	42,676	9,806
Investment income	2,969,571	2,020,987	1,402,261	1,381,715	1,320,647	1,342,026
Intergovernmental	502,891	321,647	1,522,035	775,339	691,339	569,703
Miscellaneous	462,585	133,998	277,556	339,621	438,008	640,342
Total revenues	52,367,221	50,065,662	51,181,750	51,446,518	49,505,226	51,661,573
EXPENDITURES						
General government	12,199,482	9,938,068	10,171,986	9,710,233	11,405,984	11,098,357
Public safety	19,651,803	20,486,227	20,359,951	20,706,962	21,217,452	22,389,057
Public works	7,711,943	7,001,379	7,041,562	6,424,763	6,132,641	6,286,480
Culture and recreation	11,421,188	11,614,329	12,160,356	11,875,903	11,951,546	12,111,397
Debt service:						
Principal retirement	2,410,000	3,577,937	4,315,000	3,600,000	3,720,000	2,000,000
Interest and fiscal agent charges	827,386	789,523	962,417	1,212,169	773,819	752,555
Issuance costs	48,923		249,042	5,553	108,637	182,333
Loss due to decline in market value			4,827,791	292,511	134,227	
Capital outlay	9,031,200	11,078,507	4,756,442	3,499,651	3,712,822	1,862,907
Total expenditures	63,301,925	64,485,970	64,844,547	57,327,745	59,157,128	56,683,086
Deficiency of revenues under expenditures	(10,934,704)	(14,420,308)	(13,662,797)	(5,881,227)	(9,651,902)	(5,021,513)
OTHER FINANCING SOURCES (USES)						
Transfers in	4,147,842	6,408,490	6,044,968	8,547,367	5,007,593	4,837,912
Transfers out	(1,507,642)	(3,058,190)	(3,226,768)	(4,335,967)	(1,619,093)	(1,764,412)
Certificates of obligation issued	7,750,000		10,000,000			
General obligation refunding and improve- ment bonds issued			7,160,000		7,035,000	9,500,000
Premiums on debt issued			142,956		19,057	648,755
Payment to refunded bond escrow agent			(2,073,612)		(6,950,250)	
Sale of capital assets/insurance recoveries	455,752	97,485	88,059	491,084	1,569,531	797,381
Total other financing sources	10,845,952	3,447,785	18,135,603	4,702,484	5,061,838	14,019,636
Net change in fund balances	(88,752)	(10,972,523)	4,472,806	(1,178,743)	(4,590,064)	8,998,123
Debt service as a percentage of noncapital expenditures	5.98%	7.38%	8.87%	8.85%	8.28%	5.19%

(1) Fiscal year 2010 was restated with implementation of GASB Statement 61 in fiscal year 2011.

TABLE 4

Fiscal Year			
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 21,083,842	\$ 24,536,084	\$ 26,330,398	\$ 28,416,586
13,430,485	13,363,544	13,639,841	13,936,336
2,396,399	2,728,631	2,959,667	2,892,655
4,495,241	4,411,259	4,309,598	4,255,212
1,007,993	1,289,826	2,236,280	3,481,586
930,443	1,680,095	1,427,801	2,024,453
4,522,186	5,001,160	5,407,761	5,487,380
3,090,300	3,034,885	3,125,094	3,176,432
7,585	4,496	1,152	
1,360,409	1,591,991	1,651,645	1,447,475
569,418	584,312	503,153	676,535
171,238	279,221	194,356	744,394
53,065,539	58,505,504	61,786,746	66,539,044
12,996,563	12,880,704	13,447,135	14,173,367
22,655,239	23,117,436	24,353,622	25,600,823
7,204,534	7,145,553	7,378,781	8,458,117
11,092,198	11,746,205	12,923,543	12,997,256
2,596,859	3,450,000	3,930,000	4,605,000
997,079	1,531,742	1,437,739	1,380,656
223,842		96,628	
7,496,911	11,716,646	7,269,438	7,588,292
65,263,225	71,588,286	70,836,886	74,803,511
(12,197,686)	(13,082,782)	(9,050,140)	(8,264,467)
8,517,400	6,528,075	7,860,588	9,715,107
(3,284,800)	(2,477,275)	(3,095,788)	(4,984,107)
		2,545,000	
15,810,000			
924,244		149,083	
114,535	709,764	87,438	315,166
22,081,379	4,760,564	7,546,321	5,046,166
9,883,693	(8,322,218)	(1,503,819)	(3,218,301)
6.09%	8.29%	8.65%	8.97%

CITY OF FARMERS BRANCH, TEXAS

ESTIMATED ACTUAL AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	RESIDENTIAL PROPERTY			COMMERCIAL PROPERTY		
	ESTIMATED	LESS:	ASSESSED	ESTIMATED	LESS:	ASSESSED
	ACTUAL VALUE	TAX EXEMPTIONS		ACTUAL VALUE	TAX EXEMPTIONS	
2008	\$ 1,192,986,700	\$ 336,268,242	\$ 856,718,458	\$ 2,594,828,250	\$ 591,244,468	\$ 2,003,583,782
2009	1,230,445,290	336,926,429	893,518,861	2,649,217,110	543,942,277	2,105,274,833
2010	1,231,622,730	340,746,718	890,876,012	2,601,976,410	493,392,278	2,108,584,132
2011	1,202,295,560	352,180,154	850,115,406	2,506,603,830	527,024,423	1,979,579,407
2012	1,168,520,280	346,341,819	822,178,461	2,404,857,560	479,255,392	1,925,602,168
2013	1,161,499,680	341,105,378	820,394,302	2,426,759,830	480,107,916	1,946,651,914
2014	1,172,509,100	339,997,399	832,511,701	2,500,245,200	425,834,837	2,074,410,363
2015	1,219,899,590	348,502,483	871,397,107	2,811,101,750	491,719,476	2,319,382,274
2016	1,282,165,920	358,024,345	924,141,575	3,043,315,820	498,804,477	2,544,511,343
2017	1,406,460,670	393,903,858	1,012,556,812	3,281,998,130	528,879,342	2,753,118,788

Source: Dallas Central Appraisal District

Note: Property in the city is reassessed at least every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value less exemptions. Tax rates are per \$100 of assessed value.

TABLE 5

BUSINESS-PERSONAL PROPERTY			TOTAL			TOTAL DIRECT TAX RATE
ESTIMATED	LESS:	ASSESSED VALUE	ESTIMATED	LESS:	ASSESSED VALUE	
ACTUAL	TAX		ACTUAL	TAX		
VALUE	EXEMPTIONS		VALUE	EXEMPTIONS		
\$ 1,096,945,970	\$ 137,850,233	\$ 959,095,737	\$ 4,884,760,920	\$ 1,065,362,943	\$ 3,819,397,977	\$ 0.4945
1,213,451,110	192,437,313	1,021,013,797	5,093,113,510	1,073,306,019	4,019,807,491	0.4945
1,536,661,570	407,846,378	1,128,815,192	5,370,260,710	1,241,985,374	4,128,275,336	0.5195
1,229,699,030	289,896,502	939,802,528	4,938,598,420	1,169,101,079	3,769,497,341	0.5295
1,066,425,480	182,416,255	884,009,225	4,639,803,320	1,008,013,466	3,631,789,854	0.5295
1,101,684,660	180,498,255	921,186,405	4,689,944,170	1,001,711,549	3,688,232,621	0.5295
1,151,040,340	212,570,787	938,469,553	4,823,794,640	978,403,023	3,845,391,617	0.5531
1,275,747,640	250,286,356	1,025,461,284	5,306,748,980	1,090,508,315	4,216,240,665	0.6023
1,454,961,470	384,016,188	1,070,945,282	5,780,443,210	1,240,845,010	4,539,598,200	0.6023
1,361,283,370	274,149,744	1,087,133,626	6,049,742,170	1,196,932,944	4,852,809,226	0.6023

CITY OF FARMERS BRANCH, TEXAS

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

FISCAL YEAR	CITY DIRECT RATES			OVERLAPPING RATES (1)					
	GENERAL			CARROLLTON -		DALLAS		DALLAS	
	BASIC RATE	OBLIGATION DEBT SERVICE	TOTAL DIRECT (2)	FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY	DALLAS COUNTY HOSPITAL	DALLAS COUNTY COMMUNITY COLLEGE	
2008	\$ 0.4386	\$ 0.0559	\$ 0.4945	\$ 1.3670	\$ 1.1996	\$ 0.2328	\$ 0.2540	\$ 0.0804	
2009	0.4423	0.0522	0.4945	1.3623	1.1834	0.2330	0.2540	0.0894	
2010	0.4516	0.0679	0.5195	1.3422	1.2713	0.2333	0.2740	0.0949	
2011	0.4892	0.0403	0.5295	1.3469	1.2378	0.2531	0.2710	0.0992	
2012	0.4873	0.0422	0.5295	1.3568	1.2903	0.2531	0.2710	0.0997	
2013	0.4935	0.0360	0.5295	1.3306	1.2903	0.2530	0.2710	0.1194	
2014	0.4987	0.0544	0.5531	1.3235	1.2821	0.2531	0.2760	0.1247	
2015	0.5076	0.0947	0.6023	1.3033	1.2821	0.2531	0.2860	0.1248	
2016	0.5139	0.0884	0.6023	1.2817	1.2821	0.2531	0.2860	0.1237	
2017	0.5153	0.0870	0.6023	1.3917	1.2821	0.2524	0.2794	0.1229	

Source: Dallas Central Appraisal District

Notes:

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Farmers Branch. Not all overlapping rates apply to all city property owners; for example, although the county property tax rates apply to all city property owners, the Dallas Independent School District (ISD) rates apply only to the approximately 29.3% of city property owners whose property is located within that district's geographic boundaries.

(2) The City's basic property tax rate may be increased only by a majority vote of the City Council up to the limits of State law, after which the city's residents may petition for a vote. Rates for debt service are set based on each year's debt requirements.

(3) Does not include Dallas ISD as school districts do not overlap each other.

\$ 2.4287
2.4332
2.4639
2.4997
2.5101
2.5035
2.5304
2.5694
2.5467
2.6487

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX LEVIES
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	FARMERS BRANCH	CARROLLTON- FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY
2008	\$ 18,886,923	\$ 202,971,244	\$ 920,814,173	\$ 375,408,115
2009	19,877,948	207,688,213	972,477,527	397,456,902
2010	21,446,390	200,119,142	1,012,347,453	385,705,977
2011	19,959,488	190,357,561	940,562,436	400,352,271
2012	19,230,327	188,452,360	963,386,876	393,607,404
2013	19,529,192	188,954,940	984,164,209	398,969,141
2014	21,268,861	198,050,007	1,026,191,861	415,485,244
2015	25,393,026	209,568,728	1,097,894,981	443,108,658
2016	27,340,502	218,265,231	1,185,157,319	476,309,394
2017	29,226,869	254,789,816	1,294,078,980	522,984,193

Source: The Dallas Central Appraisal District provided information for fiscal year 2008. Beginning in 2009, the Carrollton-Farmers Branch I.S.D. began reporting their own values since the district spans multiple counties and appraisal districts began reporting only their portion of an entity's value if the entity overlaps jurisdictions.

TABLE 7

DALLAS COUNTY HOSPITAL		DALLAS COUNTY COMMUNITY COLLEGE	
\$	409,570,134	\$	135,032,794
	433,279,198		158,692,823
	453,330,805		163,641,621
	428,980,078		162,905,820
	421,898,213		161,373,615
	427,773,967		196,713,575
	453,602,530		214,160,553
	501,250,455		228,116,786
	540,475,266		243,935,893
	581,286,539		266,184,338

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

TAXPAYER	2017			2008		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (a)	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (b)
70 Washington Street LP	\$ 139,320,000	1	2.87%	\$		
5005 LBJ Tower LLC	87,680,960	2	1.81%			
Glazers Distributors of Texas	87,043,540	3	1.79%	55,321,360	6	1.45%
Garden Centura LP	85,880,000	4	1.77%			
EOS Properties at Providence Towers	82,040,000	5	1.69%	71,420,390	4	1.87%
Waters Edge Apartments Phase I	71,023,990	6	1.46%			
Lakeview at Parkside	61,750,000	7	1.27%			
TP IP Tower III Corporation	59,181,500	8	1.22%			
TCI 600 Las Colinas Inc.	53,853,654	9	1.11%			
IBM Corporation	49,301,920	10	1.02%			
Dallas Semiconductor				92,064,208	1	2.41%
AT&T Communications (formerly Southwestern Bell/Cingular)				80,510,700	2	2.11%
Occidental Chemical Corporation				76,389,490	3	2.00%
TCI Park West Inc.				62,678,800	5	1.64%
Prentiss Properties				38,613,780	7	1.01%
Daltex Centre LP				36,979,720	8	0.97%
Tuesday Morning PS Ltd				34,785,794	9	0.91%
YPI Thanksgiving Tower/Meridian				32,247,180	10	0.84%
	<u>\$ 777,075,564</u>		<u>16.01%</u>	<u>\$ 581,011,422</u>		<u>15.21%</u>

Source: Dallas County, "City Report of Property Value," City of Farmers Branch

Notes:

(a) Total taxable value October 1, 2016 (2017 fiscal year) is \$4,852,809,226.

(b) Total taxable value October 1, 2007 (2008 fiscal year) is \$3,819,397,977.

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	ACTUAL LEVY YEAR	ORIGINAL LEVY (1)	SUBSEQUENT ADJUSTMENTS	TOTAL LEVY	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS/ (REFUNDS) IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
					CURRENT TAX COLLECTIONS	PERCENT OF TOTAL LEVY COLLECTED		TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS TO TOTAL LEVY
2008	2007	\$ 18,886,923	\$ (309,932)	\$ 18,576,991	\$ 18,569,133	99.96%	\$ 4,342	\$ 18,573,475	99.98%
2009	2008	19,877,948	(476,748)	19,401,200	19,273,031	99.34%	122,360	19,395,391	99.97%
2010	2009	21,446,390	(179,067)	21,267,323	21,238,074	99.86%	21,074	21,259,148	99.96%
2011	2010	19,959,488	(459,789)	19,499,699	19,488,243	99.94%	1,087	19,489,330	99.95%
2012	2011	19,230,327	(282,733)	18,947,594	18,901,401	99.76%	26,241	18,927,642	99.89%
2013	2012	19,529,192	(224,567)	19,304,625	19,081,323	98.84%	51,650	19,132,973	99.11%
2014	2013	21,268,861	(85,491)	21,183,370	21,112,294	99.66%	(105,752)	21,006,542	99.17%
2015	2014	25,393,026	(338,240)	25,054,786	24,917,704	99.45%	(75,011)	24,842,693	99.15%
2016	2015	27,340,502	(393,519)	26,946,983	26,719,748	99.16%	13,963	26,733,711	99.21%
2017	2016	29,226,869		29,226,869	28,371,356	97.07%		28,371,356	97.07%

Source: Dallas County Tax Office

Notes:

(1) The original levy is as of July of the previous fiscal year and does not include any subsequent adjustments.

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS	SPECIAL REVENUE BONDS	DEVELOPER ADVANCES	TOTAL OUTSTANDING DEBT	TAXABLE ASSESSED VALUE	PERCENTAGE OF TAXABLE ASSESSED VALUE	ESTIMATED POPULATION (1)	DEBT PER CAPITA
<u>Governmental Activities:</u>								
2008	\$ 7,290,000	\$ 9,920,000	\$ 11,601,824	\$ 28,811,824	\$ 3,819,397,977	0.75%	28,750	\$ 1,002
2009	5,380,000	9,385,000	10,468,887	25,233,887	4,019,807,491	0.63%	31,100	811
2010	18,530,000	8,850,000	8,668,887	36,048,887	4,128,275,336	0.87%	28,616	1,260
2011	16,080,000	8,250,000	8,118,887	32,448,887	3,769,497,341	0.86%	28,600	1,135
2012	13,595,160	7,693,841	7,868,887	29,157,888	3,631,789,854	0.80%	28,620	1,019
2013	23,002,208	6,813,073	7,468,887	37,284,168	3,688,232,621	1.01%	28,800	1,295
2014	38,425,679	5,939,997	7,007,028	51,372,704	3,845,391,617	1.34%	29,660	1,732
2015	35,754,489	5,513,644	6,557,028	47,825,161	4,216,240,665	1.13%	30,350	1,576
2016	35,684,897	5,077,291	5,727,028	46,489,216	4,539,598,200	1.02%	30,480	1,525
2017	32,706,253	4,635,938	4,437,028	41,779,219	4,852,809,226	0.86%	31,560	1,324

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS	SPECIAL REVENUE BONDS	LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND	TOTAL	TAXABLE ASSESSED VALUE	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	ESTIMATED POPULATION (1)	PER CAPITA
2008	\$ 7,290,000	\$ 9,920,000	\$ 217,438	\$ 16,992,562	\$ 3,819,397,977	0.44%	28,750	\$ 591
2009	5,380,000	9,385,000	223,766	14,541,234	4,019,807,491	0.36%	31,100	468
2010	18,530,000	8,850,000	571,245	26,808,755	4,128,275,336	0.65%	28,616	937
2011	16,080,000	8,250,000	1,906,300	22,423,700	3,769,497,341	0.59%	28,600	784
2012	13,595,160	7,693,841	221,898	21,067,103	3,631,789,854	0.58%	28,620	736
2013	23,002,208	6,813,073	243,741	29,571,540	3,688,232,621	0.80%	28,800	1,027
2014	38,425,679	5,939,997	258,606	44,107,070	3,845,391,617	1.15%	29,660	1,487
2015	35,754,489	5,513,644	232,113	41,036,020	4,216,240,665	0.97%	30,350	1,352
2016	35,684,897	5,077,291	926,091	39,836,097	4,539,598,200	0.88%	30,480	1,307
2017	32,706,253	4,635,938	488,376	36,853,815	4,852,809,226	0.76%	31,560	1,168

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 SEPTEMBER 30, 2017
 (UNAUDITED)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE OVERLAPPING (1)	ESTIMATED SHARE OF OVERLAPPING DEBT
Debt repaid with property taxes			
Carrollton - Farmers Branch			
Independent School District	\$ 211,775,000	16.38%	\$ 34,688,745
Dallas Independent School District	2,923,745,000	1.58%	46,195,171
Dallas County Hospital District	703,770,000	2.50%	17,594,250
Dallas County Community College District	263,140,000	2.50%	6,578,500
Dallas County	199,545,000	2.50%	4,988,625
Valwood Improvement Authority	13,247,994	43.30%	5,736,381
Dallas County Schools	40,330,000	2.50%	1,008,250
Subtotal, overlapping debt	4,355,552,994		116,789,922
City direct debt (2)	41,779,219	100.00%	41,779,219
Total direct and overlapping bonded debt	\$ 4,397,332,213		\$ 158,569,141
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			
		3.27%	
Per capita overlapping bonded debt			
		\$ 5,024.37	(3)

Source: Municipal Advisory Council of Texas

Notes:

(1) The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values. The share of market value for Carrollton/Farmers Branch ISD, Dallas ISD and Valwood Improvement Authority is calculated by the Dallas Central Appraisal District (DCAD) once every two years as these boundaries overlap within the City. (Source: Municipal Advisory Council of Texas)

(2) The City direct debt includes General Obligation Refunding Bonds, Taxable Series 2011, in the amount of \$4,635,938, which are being paid from amounts received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P. The City direct debt also includes bond premiums/discounts and developer advances.

(3) Based on North Central Texas Council of Governments (NCTCOG) population estimate.

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	MEDIAN AGE (2)	PER CAPITA INCOME (2)	PERSONAL INCOME (3)	UNEMPLOYMENT RATE % (4)
2008	28,750	37.1	\$ 25,461	\$ 732,003,750	5.2%
2009	31,100	38.2	27,153	844,458,300	8.4%
2010	28,616	36.4	29,073	831,952,968	8.0%
2011	28,600	36.2	28,715	821,249,000	7.7%
2012	28,620	37.6	29,623	847,810,260	6.2%
2013	28,800	35.9	27,545	793,296,000	5.8%
2014	29,660	36.8	26,703	792,010,980	5.2%
2015	30,350	36.1	29,573	897,540,550	3.6%
2016	30,480	36.7	30,054	916,045,920	3.9%
2017	31,560	35.9	31,053	980,032,680	3.6%

Sources/Notes:

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

(2) Median Age and Per Capita Income data provided by U.S. Census Bureau's American Community Survey - 5 Year Estimates, with the exception of 2010, which is based on the 2010 U.S. Census.

(3) Personal Income is derived by multiplying per capita income by the estimated population.

(4) Unemployment Rate % provided by Bureau of Labor Statistics.

The following information is provided by the U.S. Census Bureau based on 2010 census information.

Households:	10,797	Male:	14,075
Families:	6,923	Female:	14,541

Racial Breakdown

White	21,017
Black	1,365
American Indian	206
Asian or Pacific Islander	1,261
Other	4,767

Source: U.S. Census Bureau

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

EMPLOYER	2017			2008		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
IBM Corporation	1,870	1	2.39%	3,200	1	4.27%
Federal Government - Internal Revenue Service	1,200	2	1.53%	1,200	4	1.60%
Monitronics Securities	1,100	3	1.40%			
Anserteam LLC	1,001	4	1.28%			
Telvista	1,000	5	1.28%	950	8	1.27%
TD Industries	900	6	1.15%	811	10	1.08%
Haggar Clothing Company	750	7	0.96%			
Sprint	700	8	0.89%			
Encore Enterprises, Inc.	650	9	0.83%			
Glazer's Wholesale Drug Company	650	9	0.83%			
JPMorgan Chase Investment Services				2,390	2	3.19%
Maxim Integrated (previously Dallas Semiconductor)				1,352	3	1.80%
GEICO				1,200	5	1.60%
Essilor Laboratories				1,200	6	1.60%
Tuesday Morning				1,000	7	1.33%
Cingular Wireless (previously AT&T)				830	9	1.11%
	<u>9,821</u>		<u>12.54%</u>	<u>14,133</u>		<u>18.85%</u>

Sources:

North Central Texas Council of Governments (NCTCOG) provides total employment estimates, which have a three-year lag. For 2017 estimated total employment is 78,393 and for 2008 estimated total employment was 75,013. (See NCTCOG 2030 Demographic Forecast and Demographic Data for Farmers Branch for further information.) The NCTCOG report is adjusted by the City of Farmers Branch finance department for businesses closed or moved prior to the reporting year.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (UNAUDITED)

	Full-time Equivalent Employees as of September 30									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Function/Program</u>										
General government	77.26	66.16	65.74	62.85	62.85	66.01	65.65	72.14	73.60	74.21
General administration	7.00	6.35	7.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00
Communications	5.22	4.22	4.22	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Economic development	2.00	1.00	1.00	1.00	2.50	2.74	3.24	3.00	3.00	3.00
Human resources	7.64	6.67	6.00	6.00	5.00	6.00	7.00	7.00	7.47	6.47
Finance	28.48	25.00	25.00	24.00	24.00	25.18	23.48	24.48	28.24	29.38
Community services	26.75	22.75	22.35	23.70	23.20	23.94	24.70	28.00	26.19	27.00
Other	0.17	0.17	0.17	0.15	0.15	0.15	0.23	2.66	1.70	1.36
Public safety	195.50	195.91	196.04	194.76	195.63	195.71	196.84	198.15	199.11	184.49
Police	113.04	113.04	113.04	113.00	115.04	115.04	115.04	116.32	115.85	100.85
Fire	80.09	80.50	80.63	79.67	78.50	78.58	78.60	78.19	79.37	79.38
Other	2.37	2.37	2.37	2.09	2.09	2.09	3.20	3.64	3.89	4.26
Public works	55.24	45.97	44.97	31.62	29.62	29.62	32.01	32.17	35.43	36.90
Engineering	18.00	13.00	13.00	9.00	0.00	0.00	0.00	0.00	0.00	0.00
Public works	34.27	30.00	29.00	20.00	27.00	27.00	28.00	31.00	34.17	35.17
Other	2.97	2.97	2.97	2.62	2.62	2.62	4.01	1.17	1.26	1.73
Culture and recreation	131.73	121.52	109.60	87.21	84.64	86.33	82.99	101.91	103.35	103.77
Parks	101.41	97.31	85.39	84.47	82.47	83.91	80.43	98.86	98.80	99.81
Library	26.75	21.25	21.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tourism	1.68	1.07	1.07	1.07	0.50	0.75	0.00	0.00	0.00	0.00
Other	1.89	1.89	1.89	1.67	1.67	1.67	2.56	3.05	4.55	3.96
Water and sewer	27.00	25.00	26.00	20.75	21.66	21.88	25.88	27.17	27.76	27.89
Water and sewer	27.00	25.00	26.00	20.75	21.66	21.88	25.88	26.46	27.00	27.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.71	0.76	0.89
Fleet & Facilities	1.06	1.07	1.07	0.94	0.94	0.94	1.47	0.24	0.31	0.27
Fleet & Facilities	1.06	1.07	1.07	0.94	0.94	0.94	1.47	0.24	0.31	0.27
Total	487.79	455.63	443.42	398.13	395.34	400.49	404.84	431.78	439.56	427.53

Source: City of Farmers Branch Finance Department

Notes: Information is reported from mid-year amended budgets.

OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (UNAUDITED)

	Fiscal Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public safety					
Police					
Number of authorized full-time employees	110	110	110	110	112
Number of authorized sworn officers	74	74	75	75	74
Number of violations (citations)	21,284	18,723	20,208	16,068	16,537
Fire					
Number of authorized full-time employees	80	81	80	79	78
Number of EMS runs	2,257	2,206	2,058	2,168	2,234
Number of fire runs	1,193	1,127	1,178	1,482	1,468
Public works					
Street reconstruction (lane-miles)	3.5	0.7	0.0	0.7	0.5
Street resurfacing (lane-miles)	11.0	33.7	0.0	0.0	0.0
Culture and recreation					
Parks					
Recreation memberships sold (basic)	1,359	1,320	1,378	1,571	1,376
Recreation memberships sold (fitness)	814	819	862	944	966
Total pool admissions ⁽¹⁾	13,214	12,620	9,037	10,792	9,457
Visits to Historical Park	50,231	48,348	65,013	78,002	61,288
Library					
Volumes borrowed	416,902	461,525	435,085	247,676	360,582
Volumes in library collection	120,970	148,878	159,754	138,959	135,345
Water and sewer					
Average daily water consumption (thousands of gallons)	8,569	8,106	7,888	8,754	8,354
Number of water consumers	9,441	9,428	9,471	9,472	9,492
Total water purchased (thousands of gallons)	3,127,749	2,958,699	2,879,109	3,195,188	3,049,124

Sources: Various City departments.

(1) Total pool admissions have been restated for fiscal years 2015 and 2016 to include all pool admissions. Previously, only daily-pass holders were included in the count.

TABLE 16

Fiscal Year				
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
112	112	113	113	98
74	74	74	74	74
14,124	15,629	13,332	10,948	13,095
78	78	78	79	79
2,470	2,357	2,589	2,887	2,878
1,552	1,495	1,601	1,823	1,759
0.0	0.0	1.4	1.2	2.8
0.0	2.9	22.0	9.6	1.0
1,286	824	1,347	1,364	1,442
1,015	813	1,019	1,055	1,059
8,446	0	51,547	40,963	61,847
86,309	60,406	85,799	95,847	109,785
347,092	352,076	343,592	303,513	274,219
131,452	135,173	137,586	136,953	132,602
7,718	7,458	7,743	8,048	7,084
9,572	9,628	9,729	9,770	9,770
2,817,138	2,722,003	2,826,124	2,937,377	2,585,683

CITY OF FARMERS BRANCH, TEXAS

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

	Fiscal Year					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General government						
Number of general government buildings	1	1	1	1	1	1
Public safety						
Number of police stations	1	1	1	1	1	1
Number of patrol units	14	14	16	16	16	15
Number of fire stations	3	3	3	3	3	3
Public works						
Streets (lane miles)	411	411	411	411	411	411
Number of traffic signals	54	54	59	58	58	58
Landfill capacity (million cubic yards)	24.5	24.5	24.5	24.5	24.5	24.5
Culture and recreation						
Acreage	387	392	392	392	392	392
Number of parks	26	31	31	31	31	31
Number of playgrounds	13	13	13	13	13	13
Number of aquatic centers	1	1	1	1	1	1
Recreation center	1	1	1	1	1	1
Senior center	1	1	1	1	1	1
Library	1	1	1	1	1	1
Historical park	1	1	1	1	1	1
Utilities						
Water mains (miles)	173.4	173.4	210.0	210.0	203.0	203.0
Number of fire hydrants	2,002	2,002	2,026	2,018	2,085	2,012
Storage capacity (millions of gallons)	21.5	21.5	21.5	21.5	21.5	21.5
Sanitary sewers (miles)	140.8	140.8	158.0	158.0	162.0	162.0
Storm sewers (miles)	103	103	104	104	104	104

Sources: Various City departments.

Note:

(1) The City's pool was demolished and construction in 2014 and a new aquatic center was completed in 2015.

TABLE 17

Fiscal Year			
<u>2014</u> ⁽¹⁾	<u>2015</u>	<u>2016</u>	<u>2017</u>
1	1	1	1
1	1	1	1
15	15	15	19
3	3	3	3
411	411.5	412.0	413.1
55	55	55	55
24.5	24.5	24.5	53.2
392	392	392	450
31	31	31	28
13	13	13	13
0	1	1	1
1	1	1	1
1	1	1	1
1	1	1	1
1	1	1	1
206.6	206.6	201.3	202.4
2,012	2,041	2,093	2,171
21.5	21.5	21.5	21.5
165.9	166.0	152.9	162.8
104	112	112	112.5

SCHEDULE OF INSURANCE POLICIES IN FORCE
 SEPTEMBER 30, 2017
 (UNAUDITED)

POLICY ISSUED BY	AM BEST RATING	POLICY NUMBER	POLICY PERIOD	COVERAGE	DEDUCTIBLES	LIABILITY LIMITS
Texas Municipal League Intergovernment Risk Pool	A++	04687	10/1/2016 9/30/2017	General Liability	\$ 50,000	\$ 2,000,000
				Property	5,000	126,597,449
				Auto Liability	25,000	1,000,000
				Auto Physical Damage	2,500	Actual Cash Value
				Law Enforcement Liability	25,000	1,000,000
				Errors & Omissions	50,000	1,000,000
				Mobile Equipment	5,000	1,648,535
				Workers' Compensation	N/A	350,000 *(SIR)
				Animal Mortality (K-9)	0	As scheduled.
The Hartford Casualty Insurance Company	A+	61BSBDB5615	10/1/2016 9/30/2017	Fidelity Bond for Finance Director	2,500	250,000
Great American Alliance Insurance Company	A+	9951170	10/1/2016 9/30/2017	Underground Storage Tank	4,000	1,000,000
Munich Re American Alternative	A+	33A2ES0000266-00	1/1/2017 12/31/2017	Stop Loss Coverage	125,000	1,000,000

Source: City of Farmers Branch Risk Manager

Notes: Claims Administrators - Workers' Compensation, TML Claims, 18601 LBJ Freeway, Suite 210, Town East Tower, Mesquite, Texas 75150.

*(SIR) "Self Insured Retention"

TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS AND CONTRIBUTION RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

FISCAL YEAR	ACTUARIAL VALUE OF ASSETS ¹	ACTUARIAL ACCRUED LIABILITY ²	FUNDED RATIO	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	ANNUAL COVERED PAYROLL (ACP)	UAAL AS A PERCENTAGE OF ACP	TOTAL TMRS REQUIRED CONTRIBUTION RATE	CURRENT SERVICE PORTION OF TMRS RATE	PRIOR SERVICE PORTION OF TMRS RATE	SUPPLEMENTAL DEATH PORTION OF TMRS RATE
2008	\$ 84,399,127	\$ 124,420,441	67.83%	\$ 40,021,314	\$ 25,255,387	158.47%	15.50%	10.24%	5.00%	0.26%
2009	82,917,572	125,793,750	65.92%	42,876,178	26,427,295	162.24%	20.95%	11.89%	8.88%	0.18%
2010	89,792,751	134,608,501	66.71%	44,815,750	27,175,162	164.91%	22.30%	12.25%	9.90%	0.15%
2011 ³	158,506,492	190,757,068	83.09%	32,250,576	27,316,388	118.06%	22.48%	12.55%	9.75%	0.18%
2012	167,716,459	198,231,012	84.61%	30,514,553	25,307,120	120.58%	19.26%	12.43%	6.71%	0.12%
2013	176,561,067	204,295,430	86.42%	27,734,363	24,893,319	111.41%	19.93%	12.73%	7.07%	0.13%
2014 ⁴	187,181,205	222,656,259	84.07%	35,475,054	24,632,123	144.02%	19.62%	12.93%	6.56%	0.13%
2015	197,669,030	227,880,390	86.74%	30,211,360	25,406,973	118.91%	19.09%	9.57%	9.39%	0.13%
2016	207,096,211	236,830,239	87.45%	29,734,028	25,797,164	115.26%	17.75%	9.52%	8.10%	0.13%
2017	215,338,872	246,516,870	87.35%	31,177,998	26,888,911	115.95%	18.37%	10.17%	8.07%	0.13%

Source: Texas Municipal Retirement System

Notes:

(1) Assets are stated at amortized cost as of December 31 of the preceding year for 2008. Beginning in 2009, actuarial value of assets is calculated using 10-year smoothing.

(2) As of December 31 of the preceding year, the date of the actuarial valuation. The actuarial accrued liability was calculated using the Projected Unit Credit actuarial funding method for fiscal years 2008 to 2013 and Entry Age Normal actuarial funding method for fiscal years 2014 to 2015. Fiscal year 2008 and forward actuarial accrued liability adjusted for plan changes adopted effective January 1, 2009. Fiscal year 2009 and forward actuarial accrued liability adjusted for plan changes adopted effective January 1, 2010.

(3) Fiscal years 2011 and forward include the impact of Senate Bill 350 enacted by the Texas Legislature in June 2011. This legislation provided a restructuring of the Texas Municipal Retirement System funds effective December 31, 2010. Previously reported amounts included only Employee Savings Fund and Municipal Accumulation Fund, but excluded the City's portion of the Current Service Annuity Fund (CSARF) in which costs for all retirees were shared. The legislation eliminated CSARF returning both liabilities and assets for retirees to the respective employer accounts.

(4) Fiscal year 2014 includes an update to the mortality table used to determine the annuity purchase rate.

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CONTINUING FINANCIAL DISCLOSURE SECTION

(Unaudited)

The Continuing Financial Disclosure Section presents various financial data originally distributed in a debt official statement. The City is required to update financial tables originally distributed in a debt official statement within six months after the end of the fiscal year ending on or after September 30, 1999. The financial tables that follow are updated through September 30, 2017, from the last debt issues that were sold May of 2016. This financial information is also sent to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the Securities and Exchange Commission ("SEC").

VALUATIONS, EXEMPTIONS, AND GENERAL OBLIGATION DEBT
(UNAUDITED)

2017/2018 Market Valuation Established by DCAD		\$ 6,280,683,550
Less Exemptions/Reductions at 100% Market Value:		
Totally Exempt Parcels	\$ 490,608,200	
Homestead	226,886,152	
Freeport	204,291,034	
Over 65	143,712,976	
Capped Value Loss	57,810,531	
Agricultural	43,185,858	
Disabled Persons	8,319,824	
Veteran 100% Disabled	2,063,785	
Disabled Veterans	825,313	
Prorated Total Exempt	806,103	
Pollution Control	144,397	
Under 500	42,380	
Mineral Rights	1,400	
Total Exemptions		<u>1,178,697,953</u>
2017/2018 Net Taxable Assessed Valuation		\$ 5,101,985,597
City Funded Debt Payable From Ad Valorem Taxes		
Outstanding General Obligation Debt	\$ 32,706,253	
Series 2011 General Obligation Refunding Bonds	4,635,938	
City Funded Debt Payable from Ad Valorem Taxes		\$ 37,342,191
Less: Self Supporting Debt		
Series 2011 General Obligation Refunding Bonds	(1)	<u>4,635,938</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 32,706,253
General Obligation Interest and Sinking Fund		488,376
Ratio of Gross General Obligation Tax Debt to Taxable Assessed Valuation		0.732%
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		0.641%

2017 Estimated Population - 31,560
Per Capita Taxable Assessed Valuation - \$161,660
Per Capita Funded Debt Payable from Ad Valorem Taxes - \$1,036

Notes:

(1) This debt consists of General Obligation Refunding Bonds, Taxable Series 2011, which are self-supporting based upon amounts received under a Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., with respect to the Dallas Stars Ice Skating facility located in the City. Payments under the Lease are not pledged to the payment of the bonds. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the bonds, the City will be required to assess an ad valorem tax to pay such obligations.

TAXABLE ASSESSED VALUATIONS BY CATEGORY
(UNAUDITED)

	2018		2017		2016	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 1,539,465,050	24.51%	\$ 1,395,614,810	23.07%	\$ 1,272,752,460	22.02%
Real, Residential, Multi-Family	534,056,470	8.50%	458,368,110	7.58%	430,845,050	7.45%
Real, Vacant Lots/Tracts	176,784,830	2.81%	143,621,570	2.37%	144,057,380	2.49%
Real, Commercial	2,681,541,630	42.70%	2,648,485,190	43.78%	2,438,358,260	42.18%
Real, Industrial	32,224,060	0.51%	31,169,630	0.52%	29,620,730	0.51%
Real, Oil, Gas, and Other Mineral Reserves	1,400	0.00%	1,400	0.00%	1,400	0.00%
Real and Tangible Personal, Utilities	106,363,970	1.69%	100,864,550	1.67%	104,438,580	1.81%
Tangible Personal, Commercial	1,070,555,300	17.05%	1,078,783,290	17.83%	1,051,389,880	18.19%
Tangible Personal, Industrial	139,690,840	2.22%	192,833,620	3.19%	308,979,470	5.35%
Total Appraised Value Before Exemptions	6,280,683,550	100.00%	6,049,742,170	100.00%	5,780,443,210	100.00%
Less: Total Exemptions/Reductions	1,178,697,953		1,196,932,944		1,240,845,010	
Taxable Assessed Value	<u>\$ 5,101,985,597</u>		<u>\$ 4,852,809,226</u>		<u>\$ 4,539,598,200</u>	

	2015		2014	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 1,210,895,940	22.83%	\$ 1,167,517,830	24.20%
Real, Residential, Multi-Family	350,905,990	6.62%	259,748,470	5.38%
Real, Vacant Lots/Tracts	130,138,330	2.45%	116,387,530	2.41%
Real, Commercial	2,303,324,340	43.40%	2,095,038,740	43.43%
Real, Industrial	26,230,580	0.49%	25,309,120	0.52%
Real, Oil, Gas, and Other Mineral Reserves	1,400	0.00%	1,400	0.00%
Real and Tangible Personal, Utilities	103,200,440	1.94%	98,555,060	2.04%
Tangible Personal, Commercial	917,947,180	17.30%	846,821,690	17.56%
Tangible Personal, Industrial	264,104,780	4.98%	214,414,800	4.44%
Total Appraised Value Before Exemptions	5,306,748,980	100.00%	4,823,794,640	100.00%
Less: Total Exemptions/Reductions	1,090,508,315		978,403,023	
Taxable Assessed Value	<u>\$ 4,216,240,665</u>		<u>\$ 3,845,391,617</u>	

Notes:

Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District (DCAD) to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the DCAD updates records.

VALUATION AND GENERAL OBLIGATION DEBT HISTORY
(UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	TAXABLE ASSESSED VALUATION	TAXABLE ASSESSED VALUATION PER CAPITA (2)	G.O. TAX DEBT OUTSTANDING AT END OF YEAR (3)	RATIO OF G.O. TAX DEBT TO TAXABLE ASSESSED VALUATION (2)	G.O. TAX DEBT PER CAPITA (2)(3)
2014	29,660	\$ 3,845,391,617	\$ 129,649	\$ 44,365,676	1.15%	\$ 1,496
2015	30,350	4,216,240,665	138,921	41,268,133	0.98%	1,360
2016	30,480	4,539,598,200	148,937	40,762,188	0.90%	1,337
2017	31,560	4,852,809,226	153,765	37,342,191	0.77%	1,183
2018	31,560	5,101,985,597	161,660	33,792,194	0.66%	1,071

Notes:

(1) Based on North Central Texas Council of Governments original population estimates with the exception of the current fiscal year, which is a projection and 2010, which is based on the 2010 U.S. Census.

(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) and Taxable Series 2011 General Obligation Refunding Bonds.

TAX RATE, LEVY, AND COLLECTION HISTORY
 LAST FIVE FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	TAX RATE	GENERAL FUND	I & S FUND	TOTAL ADJUSTED TAX LEVY	% CURRENT COLLECTIONS	% TOTAL COLLECTIONS
2013	\$ 0.5295	\$ 0.4935	\$ 0.0360	\$ 19,304,625	98.84%	99.11%
2014	0.5531	0.4987	0.0544	21,183,370	99.66%	99.17%
2015	0.6023	0.5076	0.0947	25,054,786	99.45%	99.15%
2016	0.6023	0.5139	0.0884	26,946,983	99.16%	99.21%
2017	0.6023	0.5153	0.0870	29,226,869	97.07%	97.07%

TEN LARGEST TAXPAYERS
FISCAL YEAR 2018
UNAUDITED

TAXPAYER	NATURE OF PROPERTY	TAXABLE VALUE	PERCENTAGE OF TOTAL CERTIFIED TAXABLE VALUE
70 Washington Street LP	Office Tower - Class A	\$ 138,560,000	2.72%
Southern Glazers Wine and Spirits	Spirit and Wine Distribution Warehouse	116,008,338	2.27%
EOS Properties at Providence Towers	Office Tower - Class A	81,500,000	1.60%
5005 LBJ Tower LLC	Office Tower - Class A	80,633,200	1.58%
Garden Centura LP	Office Tower - Class A	76,100,000	1.49%
Mercer Acquisition LLC	Apartment Complex	63,216,030	1.24%
Lakeview at Parkside	Apartment Complex	62,500,000	1.23%
CH Realty VI HC MF Dallas	Real Estate - Office/Showroom	58,138,870	1.14%
GPIF International Plaza III LLC	Office Tower - Class A	57,015,000	1.12%
AT&T Mobility LLC	Telecommunications Company	53,068,170	1.04%
		<u>\$ 786,739,608</u>	<u>15.43%</u>

Source: Dallas County, "City Report of Property Value," City of Farmers Branch. The total certified taxable value for the year is \$5,101,985,597.

TAX ADEQUACY
(UNAUDITED)

2018 Principal and Interest Requirements (1)	\$	4,773,680
\$0.0946 Tax Rate at 99% Collection Produces		4,778,214
Average Annual Principal and Interest Requirements, 2018-2034 (1)	\$	2,687,041
\$0.0532 Tax Rate at 99% Collection Produces		2,687,114

Note:

(1) Includes Taxable Series 2011 General Obligation Refunding Bonds.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS (1)			SPECIAL REVENUE BONDS (2)		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2018	\$ 3,098,644	\$ 1,080,039	\$ 4,178,683	\$ 451,353	\$ 143,644	\$ 594,997
2019	2,338,644	978,152	3,316,796	466,353	131,872	598,225
2020	2,428,644	887,148	3,315,792	481,353	118,297	599,650
2021	2,523,644	790,422	3,314,066	496,353	102,859	599,212
2022	2,628,644	687,331	3,315,975	511,353	86,132	597,485
2023-2027	9,649,879	2,167,420	11,817,299	2,229,173	142,953	2,372,126
2028-2032	7,443,663	935,491	8,379,154			
2033-2036	2,594,491	85,749	2,680,240			
	<u>\$ 32,706,253</u>	<u>\$ 7,611,752</u>	<u>\$ 40,318,005</u>	<u>\$ 4,635,938</u>	<u>\$ 725,757</u>	<u>\$ 5,361,695</u>

Notes:

(1) "General Obligation Bonds" do not include lease/purchase obligations.

(2) Self-Supporting Debt: Taxable Series 2011 General Obligation Refunding Bonds [average life of issue - 7.714 years].

TABLE CD-7

TOTAL DEBT SERVICE REQUIREMENTS		% OF PRINCIPAL RETIRED
\$	4,773,680	9.51%
	3,915,021	17.02%
	3,915,442	24.81%
	3,913,278	32.90%
	3,913,460	41.31%
	14,189,425	73.12%
	8,379,154	93.05%
	2,680,240	100.00%
\$	45,679,700	

INTEREST AND SINKING FUND BUDGET PROJECTION
(UNAUDITED)

Interest and Sinking Fund, 9/30/17	\$	488,376	
Interest and Sinking Fund Tax Levy		4,121,300	
Commercial Rent		600,000	
Estimated Investment Income			\$ 5,209,676
Less: Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/18 (1)			4,773,680
Estimated Balance 9/30/18			<u>\$ 435,996</u>

Note:

(1) Includes Taxable Series 2011 General Obligation Refunding Bonds.

COMPUTATION OF SELF-SUPPORTING DEBT
(UNAUDITED)

Stars Center Revenues ⁽¹⁾	\$ 600,000
Less: Requirements for Taxable Series 2011 General Obligation Refunding Bonds	598,000
Balance Available for Other Purposes	<u>\$ 2,000</u>

Notes:

(1) The Taxable Series 2011 General Obligation Refunding Bonds refunded Taxable Series 2004 Certificates of Obligation. The Taxable Series 2004 Certificates of Obligation were self-supporting general obligation debt based upon amounts received under the terms of a Ground Lease Agreement (the "Lease") between the City and the lessee, the Dallas Stars, L.P. (the "Dallas Stars"), which Lease relates to the community-style recreational ice-skating and conference facility financed in part with the proceeds of the Series 2004 Taxable Certificates. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the bonds is dependent on the satisfaction of certain ongoing requirements in the Lease. If the lease payments discontinue, the City will be required to assess an ad valorem tax for the payment of the bonds.

HOTEL/MOTEL TAX REVENUE
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>FISCAL YEAR</u>	<u>HOTEL/MOTEL TAX REVENUE</u>	<u>NUMBER OF ROOMS</u>
2008	\$ 2,507,434	2,137
2009	1,974,308	2,137
2010	1,821,619	2,137
2011	2,017,818	2,137
2012	1,932,530	2,137
2013	2,253,459	2,137
2014	2,396,399	2,137
2015	2,728,631	2,137
2016	2,959,667	2,137
2017	2,892,655	2,137

HOTEL OCCUPANCY TAXPAYERS
 SEPTEMBER 30, 2017
 (UNAUDITED)

HOTEL	NUMBER OF ROOMS	TAXES PAID	% OF TOTAL
Omni Dallas Hotel @ Park West	337	\$ 805,385	27.84%
Sheraton Dallas Hotel by the Galleria	310	519,116	17.95%
Doubletree by Hilton Dallas Near the Galleria	290	413,359	14.29%
Wyndham Garden Dallas North	375	369,952	12.79%
Doubletree by Hilton Dallas-Farmers Branch	160	353,522	12.22%
Fairfield Inn	107	146,240	5.05%
Motel 6	122	77,681	2.68%
Days Inn North Dallas	72	63,897	2.21%
Extended Stay America	86	52,559	1.82%
Super 8 North Dallas	50	44,131	1.53%
Econolodge Dallas Airport North	120	39,000	1.35%
El Mio	103	7,098	0.24%
Lakeview at Parkside	1	486	0.02%
Villas at Parkside	2	202	0.01%
Chateau DeVille Apartments	2	27	0.00%
	<u>2,137</u>	<u>\$ 2,892,655</u>	<u>100.00%</u>

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
FISCAL YEARS ENDED SEPTEMBER 30
(UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	<u>2017</u>	<u>2016</u>	<u>2015 ⁽¹⁾</u>	<u>2014</u>	<u>2013</u>
REVENUES:					
Program revenues:					
Charges for services	\$ 11,045,162	\$ 10,129,251	\$ 10,075,529	\$ 8,740,882	\$ 8,923,838
Operating grants and contributions	600,602	349,473	335,647	552,131	781,993
Capital grants and contributions	560,197	253,844	401,271	98,600	303,998
General revenues:					
Taxes:					
Property taxes, levied for general purposes	24,509,410	22,191,443	20,727,595	18,886,710	17,707,657
Property taxes, levied for debt service	4,291,764	3,926,612	3,903,953	2,075,008	1,284,446
Sales and use taxes	13,936,336	13,639,841	13,363,544	13,430,485	13,689,917
Hotel/motel taxes	2,892,655	2,959,667	2,728,631	2,396,399	2,253,459
Franchise taxes	4,224,063	4,314,745	4,429,370	4,472,748	4,420,712
Tax increment financing	3,484,012	2,183,186	1,350,636	855,286	797,278
Investment income	1,447,475	1,664,659	1,591,991	1,872,535	1,386,221
Gain on sale/retirement	59,927		124,938	36,873	4,862
Total revenues	<u>67,051,603</u>	<u>61,612,721</u>	<u>59,033,105</u>	<u>53,417,657</u>	<u>51,554,381</u>
EXPENSES:					
General government	16,573,789	14,578,536	12,623,901	13,133,503	10,914,452
Public safety	26,982,151	25,223,791	22,025,873	22,147,916	22,772,965
Public works	304,447	9,262,380	9,414,374	11,683,321	8,875,224
Culture and recreation	14,492,388	14,084,036	12,588,417	11,820,723	12,739,313
Interest on long-term debt	2,217,026	2,359,900	2,344,088	2,141,082	1,887,714
Unallocated depreciation	277,305	273,962	126,464	126,464	126,464
Total expenses	<u>60,847,106</u>	<u>65,782,605</u>	<u>59,123,117</u>	<u>61,053,009</u>	<u>57,316,132</u>
Change in net position before transfers	6,204,497	(4,169,884)	(90,012)	(7,635,352)	(5,761,751)
Transfers	<u>3,616,184</u>	<u>4,174,000</u>	<u>3,469,420</u>	<u>5,232,600</u>	<u>3,073,500</u>
Change in net position	9,820,681	4,116	3,379,408	(2,402,752)	(2,688,251)
Net position--beginning	<u>73,535,259</u>	<u>73,531,143</u>	<u>70,151,735</u>	<u>88,192,647</u>	<u>90,880,898</u>
Net position--ending	<u>\$ 83,355,940</u>	<u>\$ 73,535,259</u>	<u>\$ 73,531,143</u>	<u>\$ 85,789,895</u>	<u>\$ 88,192,647</u>

(1) Restated with implementation of GASB Statement 68 & 71.

GENERAL FUND REVENUE AND EXPENDITURE HISTORY
FISCAL YEARS ENDED SEPTEMBER 30
(UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2017	2016	2015	2014	2013
REVENUES					
Property, sales, and franchise taxes	\$ 42,287,059	\$ 40,260,831	\$ 38,333,869	\$ 36,856,882	\$ 35,934,981
Licenses and permits	2,024,453	1,427,801	1,680,095	930,443	1,015,017
Charges for services	5,487,380	5,407,761	5,001,160	4,522,186	4,539,757
Fines and forfeitures	2,253,046	2,255,213	2,200,215	2,363,647	2,121,697
Investment income	677,892	733,970	707,195	616,125	600,333
Intergovernmental	150,000	150,000	200,000	250,196	111,456
Miscellaneous	239,474	66,178	75,774	56,238	85,025
Total revenues	53,119,304	50,301,754	48,198,308	45,595,717	44,408,266
EXPENDITURES					
General government	14,056,036	13,259,030	12,197,959	12,007,232	10,538,652
Public safety	24,668,699	23,309,501	22,351,409	21,983,787	21,640,592
Public works	7,624,993	6,898,308	6,473,060	6,473,144	5,717,415
Culture and recreation	11,121,976	11,013,500	10,074,366	9,474,411	10,678,436
Loss due to decline in market value					
Total expenditures	57,471,704	54,480,339	51,096,794	49,938,574	48,575,095
Deficiency of revenues under expenditures	(4,352,400)	(4,178,585)	(2,898,486)	(4,342,857)	(4,166,829)
OTHER FINANCING SOURCES (USES)					
Transfers in	6,604,107	5,748,574	4,780,744	4,659,600	3,777,500
Transfers out	(1,125,000)	(1,485,000)	(1,115,000)	(1,100,000)	
Sale of capital assets/insurance recoveries	315,166	87,438	609,764	114,535	797,381
Total other financing sources	5,794,273	4,351,012	4,275,508	3,674,135	4,574,881
Net change in fund balance	1,441,873	172,427	1,377,022	(668,722)	408,052
Fund balances--beginning	12,888,605	12,716,178	11,339,156	12,007,878	11,599,826
Fund balances--ending	\$ 14,330,478	\$ 12,888,605	\$ 12,716,178	\$ 11,339,156	\$ 12,007,878

MUNICIPAL SALES TAX HISTORY
 LAST FIVE FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	TOTAL COLLECTED	% OF AD VALOREM TAX LEVY	EQUIVALENT OF AD VALOREM TAX RATE	PER CAPITA
2013	\$ 13,689,917	70.10%	\$ 0.3712	\$ 475.34
2014	13,430,485	63.15%	0.3493	452.81
2015	13,363,544	52.63%	0.3170	440.31
2016	13,639,841	49.89%	0.3005	447.50
2017	13,936,336	47.68%	0.2872	441.58

The sales tax breakdown for the City is as follows:

Dallas Area Rapid Transit (DART)	1.00¢
City Sales and Use Tax	1.00¢
State Sales and Use Tax	6.25¢
Total	<u>8.25¢</u>

CURRENT INVESTMENTS

SEPTEMBER 30, 2017

(UNAUDITED)

DESCRIPTION OF INVESTMENT	% OF PORTFOLIO	PURCHASE PRICE	MARKET VALUE
Certificates of Deposit	17.48%	\$ 7,250,000	\$ 7,250,000
Federal National Mortgage Association	15.09%	6,250,000	6,258,493
Federal Home Loan Bank Notes	8.36%	3,450,000	3,465,981
Municipal Obligations	47.98%	19,900,000	19,897,071
TexPool	6.28%	2,602,176	2,602,176
US Treasury Bill	4.81%	2,000,000	1,996,306
	100.00%	\$ 41,452,176	\$ 41,470,027

HISTORICAL WATER AND WASTEWATER USAGE
 LAST FIVE FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	WATER USAGE AMOUNT IN GALLONS (000)			WASTE WATER CONSUMPTION AMOUNT IN GALLONS (000)
	TOTAL CONSUMPTION	PEAK DAY	AVERAGE DAY	TOTAL USAGE
2012	3,049,124	16,075	8,354	1,181,322
2013	2,817,138	15,591	7,718	1,121,936
2014	2,722,003	15,017	7,458	1,172,130
2015	2,826,124	16,822	7,743	1,300,202
2016	2,937,377	13,105	8,048	1,732,552
2017	2,585,683	12,800	7,084	1,712,000

Note: Total consumption represents total gallons of water purchased by the City.

TOP TEN WATER CONSUMERS
 SEPTEMBER 30, 2017
 (UNAUDITED)

CONSUMER	TYPE OF INDUSTRY	2016-17 CONSUMPTION (GALLONS)	% OF TOTAL CONSUMPTION	2016-17 REVENUES	% OF REVENUES
Maxim Integrated Products, Inc.	Semiconductor Manufacturing	34,182,000	1.3%	\$ 182,774	1.4%
Boxer F2 LP	Multi-Family Housing	32,370,000	1.3%	201,939	1.5%
Dallas County Community College	Education	26,925,000	1.0%	171,377	1.3%
FB Creek Partners (Cooks Creek Apts)	Multi-Family Housing	24,595,000	1.0%	165,718	1.2%
Omni Dallas Hotel @ Park West	Lodging	21,229,000	0.8%	127,332	0.9%
Doubletree by Hilton Dallas Near the Galleria	Lodging	21,170,000	0.8%	123,089	0.9%
Lakeview at Parkside	Multi-Family Housing	20,683,000	0.8%	191,401	1.4%
Tara Place	Multi-Family Housing	20,666,000	0.8%	126,149	0.9%
Ventana at Valwood, MMH Mgmt	Multi-Family Housing	20,307,000	0.8%	120,428	0.9%
Wyndham Garden Dallas North	Lodging	20,102,000	0.8%	120,377	0.9%

Source: City of Farmers Branch Finance Department

MONTHLY WATER AND SEWER RATES
 LAST TEN FISCAL YEARS
 (UNAUDITED)

FISCAL YEAR	WATER RATES				SEWER RATES	
	MONTHLY BASE 2,000 GALLONS	RATE PER 1,000 GALLONS			MONTHLY BASE 2,000 GALLONS	RATE PER 1,000
						GALLONS
		NEXT 8,000 GALLONS	NEXT 10,000 GALLONS	OVER 20,000 GALLONS		OVER
						2,001 GALLONS (1)
2008	\$ 10.44	\$ 2.83	\$ 3.19	\$ 3.31	\$ 10.91	\$ 1.48
2009	11.69	3.17	3.57	3.71	12.22	1.66
2010	11.69	3.17	3.57	3.71	12.22	1.66
2011	11.69	3.17	3.57	3.71	12.22	1.66
2012	11.69	3.17	3.57	3.71	12.22	1.66
2013	12.04	3.27	3.68	3.82	12.59	1.71
2014	12.76	3.47	3.90	4.05	13.35	1.81
2015	14.29	3.89	4.37	4.54	14.95	2.03
2016	16.44	4.47	5.03	5.22	17.19	2.33
2017	17.92	4.87	5.48	5.69	18.74	2.54

Notes:

Rates are based on 3/4" and 5/8" meters, which are the standard household meter sizes. The City charges an additional rate for non-standard meter sizes.

(1) Private residents are not charged for sewer beyond 10,000 gallons.

CONDENSED STATEMENT OF WATER AND SEWER SYSTEM OPERATIONS
 FISCAL YEARS ENDED SEPTEMBER 30
 (UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2017	2016	2015	2014	2013
REVENUES					
Charges for services	\$ 19,943,106	\$ 18,487,283	\$ 16,628,580	\$ 14,571,539	\$ 14,190,778
Investment income	32,834	28,760	20,022	17,915	20,563
Miscellaneous	20,069	298,127	170,335	4,865	3,561
Total revenues	<u>19,996,009</u>	<u>18,814,170</u>	<u>16,818,937</u>	<u>14,594,319</u>	<u>14,214,902</u>
EXPENSES					
Personal services	2,169,120	2,083,890	1,863,285	1,827,081	1,670,624
Materials and supplies	251,666	237,884	248,384	273,487	246,796
Maintenance and utilities	1,424,595	1,792,642	1,201,099	1,105,238	1,119,517
Purchase of water	5,598,144	5,414,578	4,752,025	4,551,492	4,476,816
Sewage treatment	4,260,938	3,125,687	2,648,002	2,326,525	2,357,421
Total expenses	<u>13,704,463</u>	<u>12,654,681</u>	<u>10,712,795</u>	<u>10,083,823</u>	<u>9,871,174</u>
Net available for debt service	<u>\$ 6,291,546</u>	<u>\$ 6,159,489</u>	<u>\$ 6,106,142</u>	<u>\$ 4,510,496</u>	<u>\$ 4,343,728</u>
CUSTOMERS	9,770	9,770	9,729	9,628	9,572

Notes:

The above calculation of amounts available for payment of system debt service excludes non-cash expenses such as depreciation and amortization. Debt service payments are also excluded. Certain non-operating revenue sources, principally investment income, are included.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS
(UNAUDITED)

<u>PURPOSE</u>	<u>DATE AUTHORIZED</u>	<u>AMOUNT AUTHORIZED</u>	<u>AMOUNT PREVIOUSLY ISSUED</u>	<u>UNISSUED BALANCE</u>
Streets	05/10/2014	\$ 23,500,000	\$ 14,500,000	\$ 9,000,000
		<u>\$ 23,500,000</u>	<u>\$ 14,500,000</u>	<u>\$ 9,000,000</u>