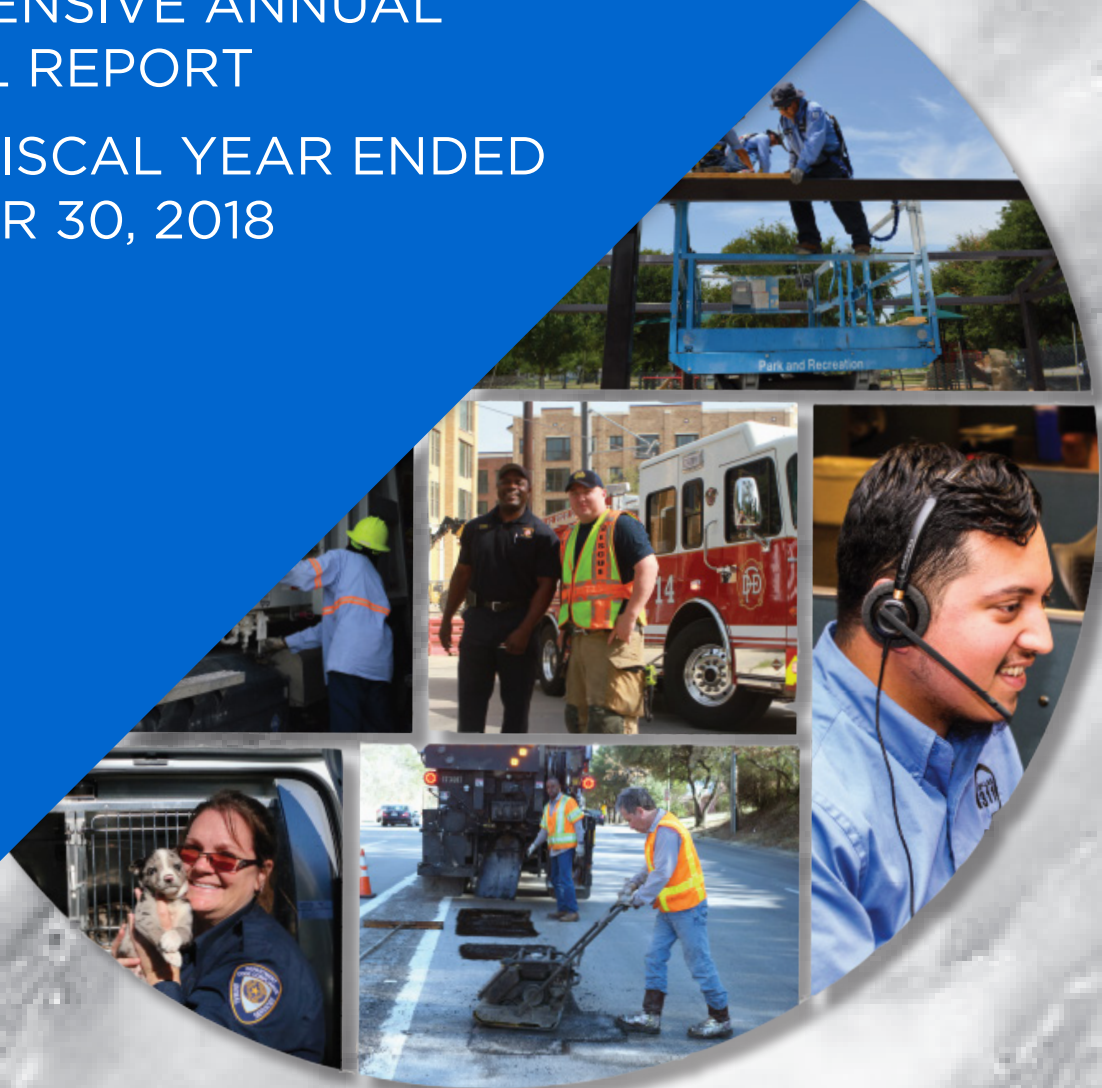




CITY OF DALLAS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018



CITY OF DALLAS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended September 30, 2018

Issued by City Controller's Office

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“Our Product is Service”
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**CITY OF DALLAS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2018
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INTRODUCTORY SECTION



March 21, 2019

Honorable Mayor, City Council members, and residents of Dallas:

We are pleased to present the City of Dallas' Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended September 30, 2018. The City of Dallas and our dedicated financial management staff are committed to being responsible stewards of the funds our residents and taxpayers entrust to us. We have produced this CAFR to help the public better understand the City, our operations, and our finances.

We are proud to announce we received an unmodified (clean) audit opinion on our financial statements this year from our external auditor, Grant Thornton, LLP. We can provide reasonable assurance the financial information contained in this report is complete, reliable, and accurate.

We present the CAFR in three sections:

- The **Introductory Section** provides this transmittal letter, a list of City officials, and an organizational chart.
- The report from our external auditor, Grant Thornton, LLP, is located at the front of the **Financial Section**, followed by Management's Discussion and Analysis (MD&A) and the annual financial statements. The MD&A includes a narrative introduction, overview, and analysis of the basic financial statements and should be read in conjunction with this transmittal letter.
- The **Statistical Section** presents selected financial and demographic information.

We wish to take this opportunity to thank the staff of the City Controller's Office, as well as staff with financial management roles in all departments, for their dedication to excellence, transparency, and accountability. We could not have produced this CAFR without them. We appreciate the guidance of the Executive Finance and Controls Committee, as well as the assistance of the Office of Economic Development and the Department of Communication and Information Services, which provided the necessary data to prepare this report. We look forward to implementing even stronger fiscal policies and practices to provide Dallas residents and taxpayers the maximum value for the resources entrusted to us.

Finally, our thanks to the Mayor and members of the City Council for their support in maintaining the highest standards of professionalism in the management of the financial operations of the City.

ABOUT DALLAS

HISTORY

Founded in 1841 by John Neely Bryan, Dallas quickly grew to serve the surrounding rural areas and secured rail lines, which were a catalyst for further economic expansion. Dallas was incorporated in 1856, and by the 1860 census had a population of 2,000. Today, Dallas is the ninth largest city in the nation and the largest local economy in



the nation's fourth largest metropolitan area. At approximately 385 square miles, Dallas is spread across four counties (Dallas, Collin, Denton, and Rockwall).

The city is home to 1,286,380 people (as of September 2018), and the Dallas-Fort Worth-Arlington metropolitan area increased by more than 140,000 people from January 1, 2017, to January 1, 2018 – the most of any metro area in the nation.^{1,2} Further, Collin, Dallas, Denton, and Tarrant counties were in the top 10 largest-gaining counties in the U.S.³

Dallas attracts both domestic and international immigration. In 2017, foreign-born residents made up 24.4 percent of the city's overall population, and they represented 30.2 percent of our working-age population, 32.1 percent of our employed labor force, and 23.9 percent of our science, technology, engineering, and math workers.⁴ Dallas' current median household income is \$47,285 and our per capita income is \$31,260.⁵

Dallas has a council-manager form of government with 14 single-district City Council members and a Mayor elected at-large. The Mayor and City Council appoint the City Manager, City Attorney, City Auditor, City Secretary, and Municipal Court judges. The City provides the full range of municipal services established by statute or charter, including public safety (police and fire), infrastructure, culture and recreation, libraries, planning and zoning, and general administrative services. In addition to general government activities, Dallas Water Utilities, Airport Revenues, Convention Center, Sanitation Services, and several other enterprise and internal service fund activities are part of the City's legal entity. Refer to *Financial Information* in this transmittal letter for more information on the legal entity.

¹ U.S. Census Bureau (QuickFacts Dallas city, Texas)

² 2018 Population Estimates, North Central Texas Council of Governments, April 2018

³ U.S. Census Bureau July 1, 2017 population estimates, released March 22, 2018

⁴ 2017 American Community Survey 5-Year Estimates (S0501)

⁵ 2017 American Community Survey 5-Year Estimates (B19013 and B19301)

ABOUT DALLAS

ECONOMY

Overall, the city’s economic outlook remains strong. Dallas has a diverse industry mix that continues to create jobs, resulting in a low unemployment rate. Further, Dallas’ home values continue to rise.

The city is home to more than 76,000 businesses.⁶ Dallas’ various employment opportunities continue to support steady and progressive local economic growth and dampen the negative effects of any single industry downturn. The Trade, Transportation, and Utilities sector remained the largest industry by employment in FY 2018, followed closely by Professional and Business Services and Education and Health Services.⁷

FIGURE 1.
DALLAS EMPLOYMENT BY INDUSTRY

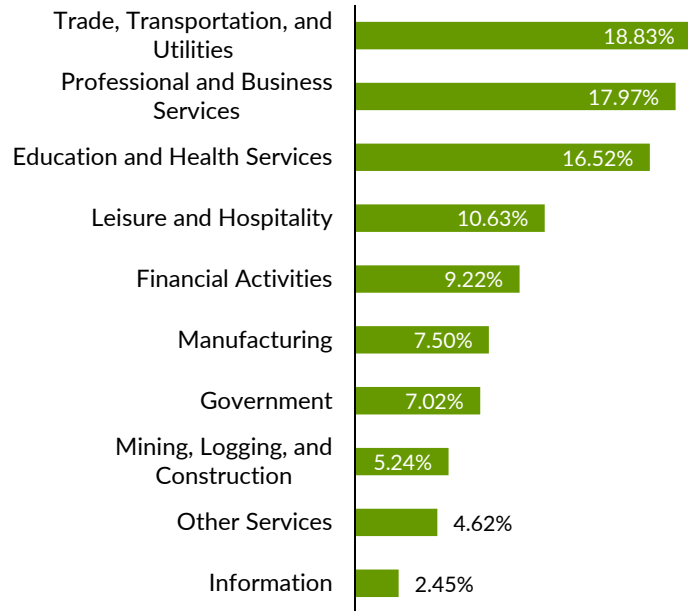
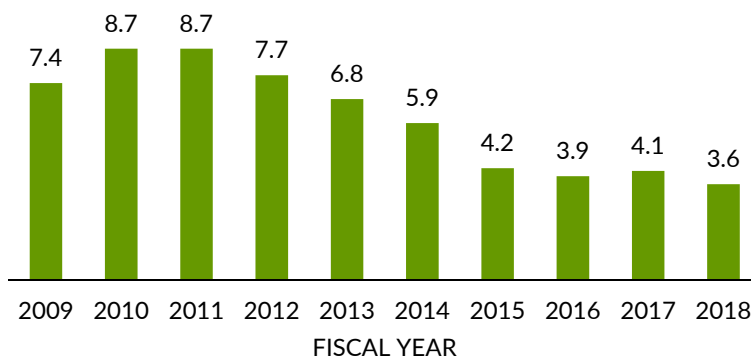


FIGURE 2.
DALLAS UNEMPLOYMENT RATE (PERCENT)



The Dallas monthly labor force (Dallas residents only) averaged 694,383 during FY 2018. The monthly average of residents who were unemployed during this fiscal year was 25,303. Dallas’ FY 2018 unemployment rate was 3.6 percent, well below the U.S. average of 4.0 percent. In fact, the Dallas rate has remained below the U.S. average for more than 100 consecutive months.^{8,9,10}

⁶ ReferenceUSA Estimates 2018

⁷ Estimated using data from ReferenceUSA and U.S. Bureau of Labor Statistics, Dallas-Plano-Irving Metropolitan Division

⁸ U.S. Bureau of Labor Statistics (non-seasonally adjusted values)

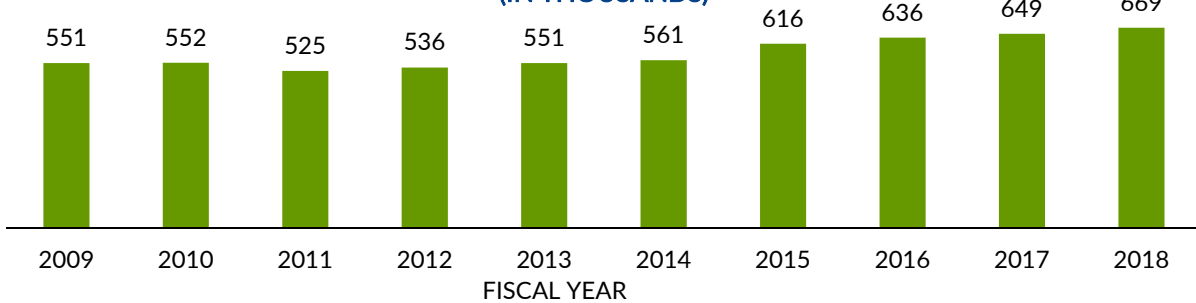
⁹ Texas Workforce Commission (TWC) and U.S. Bureau of Labor Statistics

¹⁰ The estimates in Figures 2-7 reflect data as of the publication date of each year’s CAFR. Data is not adjusted from year to year.

ABOUT DALLAS

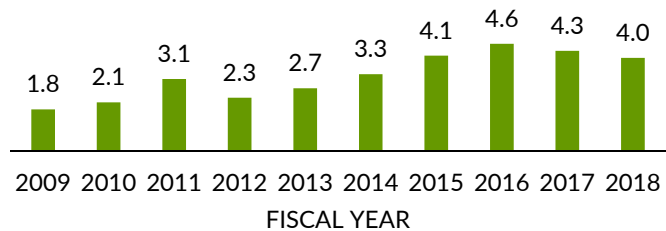
The number of employed Dallas residents also increased during the fiscal year; about 669,080 Dallas residents were working in FY 2018, compared to 648,735 in FY 2017.¹¹

**FIGURE 3.
DALLAS HOUSEHOLD EMPLOYMENT
(IN THOUSANDS)**



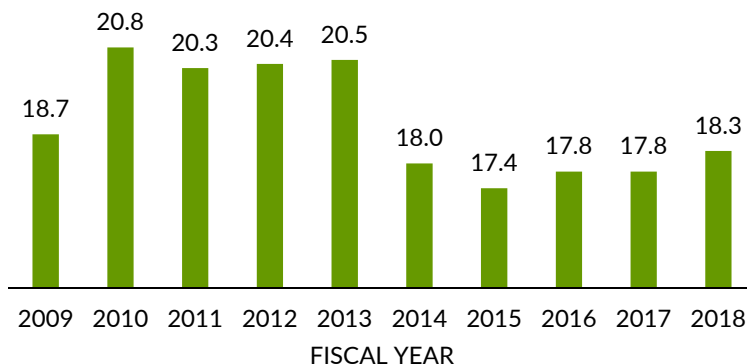
In FY 2018, the annual value of all construction permits was about \$4 billion. New construction values increased from the previous year to approximately \$3.31 billion.¹²

**FIGURE 4.
DALLAS BUILDING ACTIVITY
(IN BILLIONS \$)**



Dallas has more than 135 million square feet of office space, 207 million square feet of industrial/flex space, and 81 million square feet of retail space.¹³

**FIGURE 5.
DALLAS OFFICE VACANCY RATE
(PERCENT)**



Office vacancy rates increased slightly in FY 2018, and construction activity grew to meet employment gains in the Professional and Business Services, Education and Health Services, and Financial Services industries. The City expects vacancy rates to decline next year through continued projected growth in these industries.¹⁴

¹¹ U.S. Bureau of Labor Statistics (non-seasonally adjusted values)

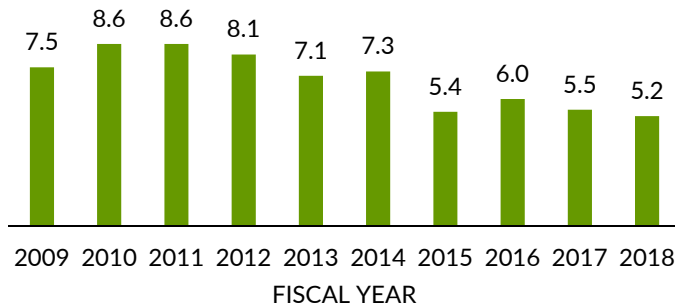
¹² City of Dallas Department of Sustainable Development and Construction and City of Dallas FY 2018-19 Budget

¹³ CoStar, December 2018

¹⁴ TWC and ReferenceUSA

ABOUT DALLAS

**FIGURE 6.
DALLAS INDUSTRIAL VACANCY RATE
(PERCENT)**

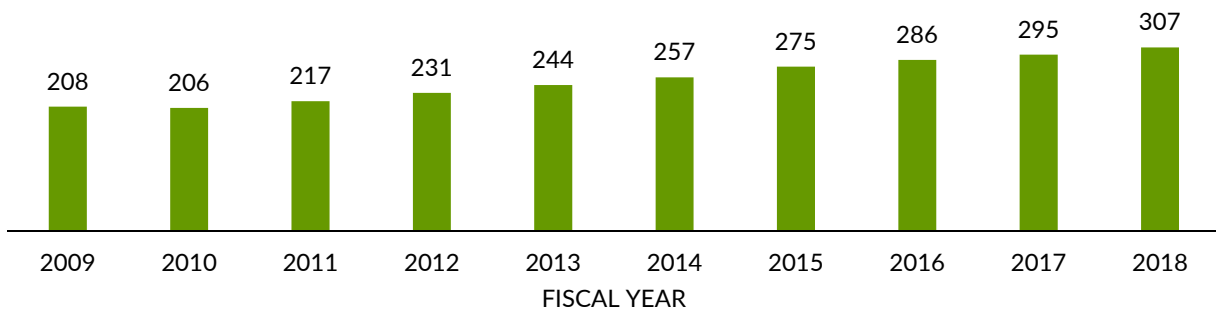


The industrial vacancy rate continued to decrease in FY 2018, dropping to 5.2 percent despite an increase in delivered space. Economic growth in distribution activity increased Dallas’ demand for warehousing and production space. With a market response of more than 207.2 million square feet of space delivered, the city’s inventory increased 0.52 percent. Projections for industrial space include a slight increase in vacancy next year.¹⁵

Progress continued during FY 2018 at the International Inland Port of Dallas, a major logistics hub (warehouse, distribution, and ecommerce) in the southeast quadrant of the city. The approximately 7,500 acres – 2,500 of which are within the city limits – will house more than 60 million square feet of industrial and warehouse space upon completion. 32 million square feet are currently built or under construction, with more than 9 million square feet in the city of Dallas.

Sales tax revenue increased for the seventh consecutive year since the Great Recession (from 2007-2009). During FY 2018, total City sales tax revenues grew to more than \$307.1 million, a nearly 48 percent increase since FY 2009.^{16,17}

**FIGURE 7.
DALLAS SALES TAX REVENUE
(IN MILLIONS \$)**



¹⁵ CoStar

¹⁶ Office of Budget

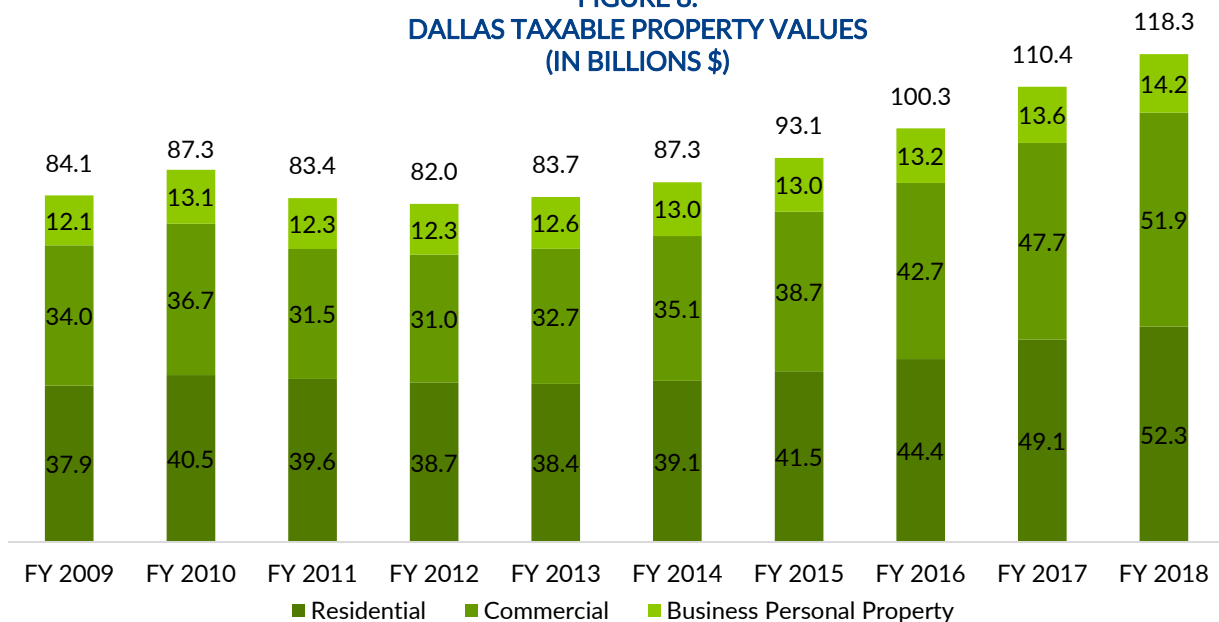
¹⁷ City of Dallas Sales Tax Receipts

ABOUT DALLAS

The total property tax base value, including business personal property (BPP), increased to \$118.3 billion in FY 2018 from \$110.4 billion in FY 2017, a 7.2 percent increase. FY 2018 is the sixth consecutive year of growth after three years of declining values due to the recession.¹⁸

Dallas' commercial tax base grew 8.8 percent to \$51.9 billion for FY 2018. This reflects continued strong post-recession job growth, resulting in demand for commercial space.¹⁹ The residential tax base increased approximately 6.5 percent to \$52.3 billion. Dallas' increased valuations reflect continued inward migration and a diverse housing stock that can accommodate various household needs.

FIGURE 8.
DALLAS TAXABLE PROPERTY VALUES
(IN BILLIONS \$)



The effects of growth in FY 2018 can be seen across Dallas. More than 9,890 residential units were either available or under construction, with more than 1,000 new units announced in the Central Business District (CBD), supporting an estimated downtown residential population of nearly 14,000. In a 2.5-mile radius from the CBD midpoint, the unit count increases to more than 44,500.²⁰ Hotel occupancy in May 2018 was 71.2 percent in the Downtown, Market Center, and Uptown segments, up 2.5 percentage points from the previous year's adjusted occupancy rate.²¹ The demographics of downtown indicate the population of young professionals is growing, and Dallas is responding to these needs.²²

¹⁸ Office of Budget

¹⁹ Office of Budget

²⁰ Downtown Dallas Inc.

²¹ Dallas Convention & Visitors Bureau / Smith Travel Research

²² Dallas Business Journal, published September 21, 2018

ABOUT DALLAS

Development projects include the AC Hotel and Residence Inn by Marriott at 1712 Commerce Street, which completed construction of a combined 244 rooms and opened in October 2017. Unfortunately, because of a fire, the adjoining 360-space parking garage is delayed until the third quarter of 2019.²³ In November 2017, the eight-story West End Marketplace transformed into Factory Six03, a 215,000-ft² office building home to Blue Cross and Blue Shield of Texas' C1 Innovation Lab. Renovations to the Old Dallas Central Library, now the home of *The Dallas Morning News*, finished in December 2017 at a cost of more than \$250 million.

The Statler Dallas opened for business downtown, offering 218 units in the Statler Residences and 161 rooms in the Statler Hotel, along with six bar and restaurant options. The 23-story Tower Petroleum Building on Elm Street was converted into the Cambria Hotel with 150 guest rooms and a ground-level restaurant. The Corrigan Tower was also converted to 1900 Pacific Residences, which contains 150 residential units and is currently 93 percent leased. Lastly, in September 2018, Courtyard Hotel by Marriott opened with 167 rooms at 310 South Houston Street.²⁴

The City increased its focus on affordability – in transportation and housing – in FY 2018. Dallas is home to 45 Dallas Area Rapid Transit (DART) light rail stations. The City continues to work with private developers to pursue projects near stations that complement the transit system through new housing and employment opportunities. Light rail service also connects residents to the Dallas-Fort Worth (DFW) International Airport and Love Field Airport. DART continued to pilot GoLink, an on-demand shared-ride transit service, in the inland port area. In addition, three major capital projects are in planning and design: the D2 Subway to provide a second light rail alignment through downtown Dallas, Red/Blue Line platform extensions, and the Cotton Belt Corridor. The Cotton Belt Corridor will link northern communities to DART's Orange, Green, and Red Lines, as well as local bus services, while adding two new stations in Dallas: Knoll Trail and North Lake/Cypress Waters. Construction on the Cotton Belt Corridor will begin in 2019 with project completion anticipated in 2022.²⁵

In addition to a robust transit network, a sufficient supply of housing – near jobs and transportation and at prices workers can afford – is critical to maintaining Dallas' resilient economy. In May 2018, the City Council adopted a Comprehensive Housing Policy with the goals of 1) creating and maintaining available and affordable housing throughout Dallas, 2) promoting greater fair housing choices, and 3) overcoming patterns of segregation and concentrations of poverty. To inform the policy, the City first developed the Market Value Analysis (MVA), a tool used to assess residential real estate conditions citywide and identify areas of market strength, transition, and stress. The MVA helps policy makers and stakeholders develop data-driven strategies, and it helps the City prioritize funding to support new development and housing preservation.

²³ FY 2017-2018 Annual Report: Downtown Connection TIF District

²⁴ FY 2017-2018 Annual Report: City Center TIF District

²⁵ Dallas Area Rapid Transit (DART)

SERVICE FIRST

WE PUT SERVICE FIRST 365 DAYS A YEAR

Service First is more than just the City’s vision or catchphrase. Dallas’ 13,000 employees know Service First is an expectation for everything we do and everything we deliver. We work hard to meet the needs of residents 24 hours a day, 7 days a week, 365 days a year, all while adhering to our core values of empathy, ethics, excellence, and equity.

With limited resources, however, the City must manage its efforts strategically, focusing on key service areas based on the unique needs of Dallas. For this reason, the City Council and City Manager developed the six strategic priorities shown here, which help guide the work of City staff.



In FY 2018, the City ensured residents received the high-quality services they have come to expect, such as emergency response, clean water, libraries, and parks. The FY 2018 budget made significant investments in public safety, including increased wages for first responders, increased pension contributions, improvements to the 911 system, and enhanced ambulance service. The City also devoted funds to solving the unique problems our community faces, including homelessness, lack of affordable housing, and deteriorating streets. Notably, this was the first balanced two-year budget plan in Dallas history.

The City also introduced Dallas 365, a set of 35 key measures aligned to the six strategic priorities that show residents how well we are performing against our goals. In addition, the City Council charged management with developing several new policies in FY 2018, including for housing, economic development, and transportation. Finally, in November 2017, Dallas voters approved 10 bond propositions totaling \$1.05 billion related to streets and transportation, flood control and storm drainage, parks and recreation, Fair Park, economic development, and various City facilities.

MAJOR BUDGET INVESTMENTS

The following pages outline major budget investments and accomplishments in FY 2018 that supported each of the City's six strategic priorities.

PUBLIC SAFETY

Improving the quality of crime data

After months of work, the Dallas Police Department (DPD) successfully implemented the National Incident-Based Reporting System in June 2018, which improves the quality of crime data by allowing officers to report circumstances and context for crimes committed. Data are collected and submitted to the Federal Bureau of Investigation to help identify known criminals, spot crime patterns, and safely bring criminals into custody.

Answering calls for help more quickly

In FY 2018, the City funded technology upgrades for the 911 Operations Center that resulted in reducing response times to 10 seconds or less for 90 percent of emergency calls. Additionally, we strengthened the backup for Computer-Aided Dispatch, the system that routes 911 calls. The backup site is operational, and we tested its functionality successfully throughout the summer.

MOBILITY SOLUTIONS, INFRASTRUCTURE, & SUSTAINABILITY

Providing flood protection for \$4 billion in economic value

In December 2017, the City sold General Obligation bonds to finance a major project that provides 100-year flood protection through a five-mile, 30-foot diameter drainage relief tunnel. Tunnel drainage areas include approximately 520 acres of land and 2,200 properties representing about \$4 billion in economic value. The contract, awarded February 2018, allowed excavation work to begin June 2018 and is expected to conclude in spring 2023.

Taking flight at Dallas Love Field

Dallas Love Field celebrated its centennial on October 19, 2017. Through the Love Field Modernization Program, the airport now boasts a rebuilt terminal with 20 aircraft gates and new ramp areas. The Love Field Art Program includes almost 20 permanent works, rotating exhibits, and a venue for performing arts.

ECONOMIC & NEIGHBORHOOD VITALITY

Addressing housing comprehensively

In May 2018, the City Council adopted a Comprehensive Housing Policy that addresses citywide housing issues systematically and strategically. The policy includes new strategies to target reinvestment, encourage more affordable housing choices, and improve fair housing throughout Dallas.

MAJOR BUDGET INVESTMENTS

Helping families stay in their homes

Recipients of home repairs are typically elderly or disabled homeowners on fixed incomes who cannot afford the maintenance of their older homes. Under the new Comprehensive Housing Policy, the City anticipates the average funded repair will be \$75,000, allowing for repair and replacement of roofs, foundations, plumbing, and other major systems. Prior to adoption of the policy, the City administered a home repair program, but the types of repairs and total allowable costs were limited.

HUMAN & SOCIAL NEEDS

Taking a holistic approach to homelessness

The local 2018 Point-In-Time count revealed a 24 percent overall increase in homelessness. Numerous factors contribute to these devastating results, including decreased shelter capacity, a lack of available and affordable housing, and an uncoordinated and underutilized homeless response system. In response, the City established the Office of Homeless Solutions (OHS) to strengthen its efforts to serve individuals experiencing homelessness and reduce the impacts of homelessness on communities and businesses in Dallas.

Embracing our diversity

Drawing on existing City resources and including community stakeholders, the Office of Welcoming Communities and Immigrant Affairs developed the Welcoming Dallas Strategic Plan to advance immigrant inclusion in leadership and communications; safe, healthy, and connected communities; equitable access; civic engagement; and economic opportunity and education. Moving forward, Dallas is striving to be certified as a “Welcoming City” by the national nonprofit organization, Welcoming America.

QUALITY OF LIFE

Continuing to improve Dallas Animal Services

In FY 2018, the City created Dallas Animal Services (DAS) as a standalone department to enhance service delivery and continue implementation of consultant recommendations from 2016. In its first year, DAS exceeded both of its performance targets, increasing field impoundments to 17 percent from a goal of 14 percent and improving its year-over-year live release rate to 80 percent from 73 percent.

Supplementing education where it's needed

This year, Dallas Public Library (DPL) made equity adjustments to ensure its services and programs are available at all library locations. By focusing on places that have less support from Friends of the Library groups, DPL was able to reallocate resources to guarantee all libraries could offer free, high-quality summer learning opportunities throughout the city. The library also expanded service at 14 libraries to six days a week from five, ensuring all 29 branches are open at least six days per week.

MAJOR BUDGET INVESTMENTS

GOVERNMENT PERFORMANCE & FINANCIAL MANAGEMENT

Ensuring the City is an employer of choice

To attract and retain the best talent, the City increased all employee wages effective October 1, 2017, to a minimum of \$10.94, which reflects the Massachusetts Institute of Technology (MIT) living wage index. We also funded merit increases for civilian employees, in addition to police officer and firefighter wage increases. Lastly, we improved employee health benefits by adding new plan options to help employees manage chronic diseases such as diabetes and lowering the family premium by \$50 a month.

Taking City Hall to the community

To ensure our services are reaching as many residents as possible, we launched a new 311 mobile app and hired four 311 staff members who work in locations around the City. Additionally, the City opened four City Council district offices to facilitate engagement opportunities between City Council members and residents.

LOOKING FORWARD

In September 2018, the City Council adopted a \$3.6 billion balanced budget for FY 2018-19. The budget makes significant investments in public safety, including increased wages for first responders, recruitment and retention funding to stabilize police and fire staffing, increased pension contributions, and improvements to the 911 system. It addresses major infrastructure needs through implementation of the 2017 Bond Program, pay-as-you-go funding for streets, and a pilot program to address overgrown and deteriorating alleys.

The budget includes funding for initiatives addressing homelessness, a “Fresh Start” re-entry program for the formerly incarcerated, and an Americans with Disabilities Act (ADA) transition plan to address accessibility issues in City facilities. It also includes resources for an Office of Innovation, which will lead City staff in efforts to improve service and increase efficiency, as well as for technology enhancements, such as Radio Frequency Identification (RFID) for the library system and an online one-stop shop for submitting construction plans to the City.

Lastly, the FY 2018-19 budget lowers the tax rate for all property owners by \$0.37, to 77.67 cents per \$100 valuation. Combined with reductions in FY 2016-17 and FY 2017-18, the property tax rate will have decreased by 2.03 cents or 2.6 percent during this three-year period.

AWARDS & ACCOLADES

The pages below highlight several of Dallas' award-winning achievements in FY 2018.

Pursuing financial excellence

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 Dallas for its CAFR for the fiscal year ended September 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. 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 program requirements. The City of Dallas first received this award for its FY 1981 CAFR and has received it consecutively for the past 12 years – every year since FY 2006.

A Certificate of Achievement is valid for a period of only one year. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2017. The City has earned this award each year since 1999. To receive the award, the City must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

Reducing risk at Dallas Fire-Rescue

In December 2017, Dallas Fire-Rescue (DFR) achieved the coveted Insurance Services Office (ISO) rating of 1, the first Class 1 ISO rating in the department's history, in part because of our investments in fire stations, hydrants, and emergency personnel. The new rating reflects reductions in fire severity and loss of life and property, creating a safer environment for the men and women of DFR, as well as residents.

Sharing the "Love"

Dallas Love Field Airport hosts more than 14.5 million arriving and departing passengers a year and won multiple awards in 2018, including:

- 1st Place, Best Food & Beverage Program – Medium Airport by Airports Council International;
- 2nd Place, Large Airports – 2018 North America Airport Satisfaction Study by J.D. Power and Associates;
- 3rd Place, Airport Service Quality, North America by Airports Council International; and
- 10th Best among Domestic Airports by Travel + Leisure Magazine.²⁶

²⁶ Dallas Love Field Airport

AWARDS & ACCOLADES

Providing education for all

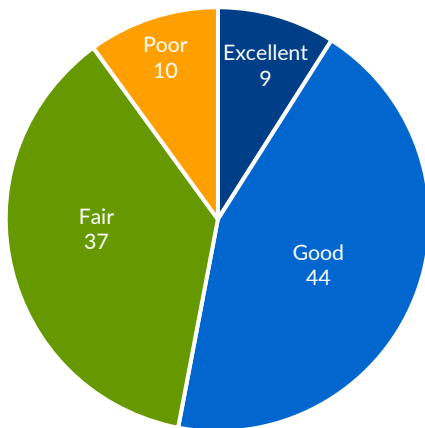
The Urban Libraries Council (ULC) selected Dallas Public Library (DPL) from more than 250 entrants as one of 10 libraries that represent the 21st-century library's role as a leader and pioneer for change. ULC noted DPL's innovative GED Testing and Workforce Development project, which addresses the needs of the nearly 28 percent of Dallas County adults with less than a high school education. DPL opened the first GED testing center in a public library in Texas and is the leader among Dallas-area certified testing centers.

Striving for quality service

The City completed its biannual community survey of residents in April 2018, where residents shared their perceptions of City services and the general quality of life in Dallas.

In terms of overall satisfaction, Dallas has consistently outperformed other large cities during the past seven years. The City's Composite Satisfaction Index, based on an average satisfaction rating of 12 major service categories, is 101.8 – significantly better than the large U.S. city average of 93.2.

QUALITY OF CITY SERVICES



Overall, 53 percent of residents rated City services “excellent” or “good.” Specific services residents rated highly include:

- Dallas Love Field (91 percent)
- Fire services (89 percent)
- Public library services (85 percent)
- Art and cultural programs/facilities (84 percent)
- Sewer services (78 percent)
- Ambulance/emergency medical services (78 percent)

FINANCIAL INFORMATION

Financial reporting entities

The financial statements of the City of Dallas include all activities, organizations, and functions for which the City is financially accountable. In addition to the general government, enterprise, and internal service functions described in the *About Dallas* section of this transmittal letter, 21 tax increment financing districts are also included in the City's reporting entity.

Although the pension trust funds are separate legal entities, they exist to exclusively serve or benefit the City's employees, retirees, and their beneficiaries, and are included in the City's reporting entity as blended component units. The Love Field Airport Modernization Corporation (LFAMC) is also a separate legal entity included in the City's reporting entity as a blended component unit. It was created to facilitate construction at Love Field Airport. More information regarding the blended component units is included in Note 1(B).

Discretely presented component units are other legally separate entities that are also included in the City's reporting entity based on the criteria set forth in the Codification of Governmental Accounting Standards, Section 2100, *Defining the Financial Reporting Entity*.

The criteria considered in determining the activities to be reported within the City's financial statements are included in Note 1(B). Based on those criteria, the following organizations are included as discretely presented component units of the City of Dallas for financial reporting purposes:

- The Housing Finance Corporation issues tax-exempt mortgage revenue bonds to encourage opportunities for single-family residential home ownership among low- to moderate-income residents;
- The Housing Acquisition and Development Corporation provides safe and affordable housing for low- and moderate-income persons;
- The Dallas Development Fund was organized to assist in carrying out the economic development program and objectives of the City by generating private investment capital through the New Markets Tax Credit Program to be made available for investment in low-income communities;
- The Downtown Dallas Development Authority is a separate legal entity established to promote economic development of the downtown area and improve the tax base;
- The North Oak Cliff Municipal Management District was organized to promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation and the arts, entertainment, economic development, safety, the public welfare in the District, and educational scholarships for college-bound students residing in or out of the District;
- The Cypress Waters Municipal Management District was organized to promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation and the arts, entertainment, economic development, safety, and the public welfare in the District;

FINANCIAL INFORMATION

- The Dallas Convention Center Hotel Development Corporation was created to promote the development of the geographic area of the city included at or in the vicinity of the Dallas Convention Center, in furtherance of the promotion, development, encouragement and maintenance of employment, commerce, convention and meeting activity, tourism, and economic development in the city including specifically, without limitation, the development and financing of a convention center hotel located within 1,000 feet of the Dallas Convention Center; and
- The Trinity River Corridor Local Government Corporation was organized for aiding, assisting, and acting on behalf of the City in the performance of its governmental functions; namely, the design, planning, development, financing, operation, and maintenance of public recreation uses of City fee-owned property located in a portion of the Trinity River Corridor.

Related organizations not included as part of the reporting entity are the Dallas-Fort Worth International Airport, the Dallas Housing Authority, and DART. The reason for not including these entities is because the City's accountability does not extend beyond appointing members to the boards.

Financial management

Strong financial management within the City of Dallas begins with adherence to a comprehensive set of financial policies. The City Council originally adopted the Financial Management Performance Criteria (FMPC) on March 15, 1978, to provide standards and guidelines for the City's financial managerial decision making and to provide for a periodic review of the criteria to maintain standards and guidelines consistent with current economic conditions. The FMPC have been revised periodically since their adoption. The status of each criterion is updated annually and presented with the annual budget, at year-end, and for each debt issuance. The FMPC contains 54 criteria in seven different categories, in addition to 13 criteria specific to Dallas Water Utilities:

- Operating Program: Criteria 1-14
- Pension Program: Criteria 15-16
- Budgeting and Planning: Criteria 17-24
- Capital and Debt Management: Criteria 25-41
- Economic Development: Criteria 42-49
- Accounting, Auditing, and Financial Planning: Criteria 50-52
- Grants and Trusts: Criteria 53-54
- Dallas Water Utilities: Criteria DWU 1-13

The City's management is responsible for establishing and maintaining internal controls designed to ensure the assets of the government are protected from loss, theft, or misuse, and to ensure adequate accounting data are compiled to allow for preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

FINANCIAL INFORMATION

In late 2017, the City established an Executive Finance and Controls Committee (EFCC), consisting of the assistant city managers and chiefs, Chief Information Officer, Controller, and director of the Office of Budget and chaired by the Chief Financial Officer. The EFCC is the foundation for our internal control framework, monitors the external audit including any findings, and leads by an example that demonstrates the City's commitment to ethics and integrity.

The City Controller's Office is accountable for internal accounting controls designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition; 2) the reliability of financial records for preparing financial statements; and 3) accountability for assets. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

Annually, each department is required to conduct a self-assessment of internal controls. The results of these assessments are reported to the City Manager with an action plan to correct any identified deficiencies. In addition, beginning with the FY 2017 audit, each department director was required to sign a management representation letter in connection with the preparation of these financial statements.

Furthermore, as a recipient of federal and state assistance, the City is also responsible for ensuring adequate internal controls are in place to comply with applicable laws, regulations, contracts, and grants related to those programs. As part of the City's single audit, tests are made to determine the adequacy of the internal control, including that portion relative to federal and state financial awards, as well as to determine whether the City has complied with applicable laws, regulations, contracts, and grants.

Internal controls are also subject to periodic evaluation by management and the City Auditor. The City Council is required by charter to appoint a City Auditor who is independent of City management and reports directly to the City Council. The City Auditor supports the internal control structure within the City by performing independent evaluations of existing accounting and administrative controls and by ascertaining compliance with existing plans, policies, and procedures.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

FINANCIAL INFORMATION

The City Charter provides that the City Council shall annually appropriate adequate funds in an amount to execute the policies and service delivery plans of the City. City management annually prepares the plan of services for the upcoming fiscal year and the estimated costs, along with a five-year forecast. The annual plan is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The ordinance provides for budgetary control at the department level and these budgets cannot be exceeded without City Council approval. Budgetary control is enforced at the department level by reserving appropriations and encumbering purchase orders and contracts. Open encumbrances are reported, where applicable, as assigned fund balance.

Management disclaimer

Chapter III, Section 19 of the City Charter requires, “the annual financial statements and related records and accounts of the City to be audited annually by a firm registered with the Texas State Board of Public Accountancy as a firm practicing public accountancy.” We were pleased to work with Grant Thornton, LLP, on the audit this year. We appreciate their professionalism.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the costs of internal controls 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.

Thank you for your attention to this summary of the state of the City’s finances and our achievements in the last fiscal year. We strive to be good stewards of the resources with which we are entrusted. Please refer to the following sections for the full auditors’ report, the City’s annual financial statements, and supporting statistical information.

Respectfully submitted,


T.C. Broadnax
City Manager


M. Elizabeth Reich
Chief Financial Officer


Sheri Kowalski, CPA, CHC, CIA, CISA
City Controller



“Our Product is Service”
Empathy | Ethics | Excellence | Equity

CITY OF DALLAS, TEXAS ELECTED OFFICIALS SEPTEMBER 30, 2018



Mayor Michael S. Rawlings
At Large



Rickey D. Callahan
District 5



B. Adam McGough
District 10



Scott Griggs
District 1



Omar Narvaez
District 6



Lee Kleinman
District 11



Deputy Mayor Pro Tem
Adam Medrano
District 2



Kevin Felder
District 7



Sandy Greyson
District 12



Mayor Pro Tem
Casey Thomas, II
District 3



Tennell Atkins
District 8



Jennifer S. Gates
District 13



District 4



Mark Clayton
District 9



Philip T. Kingston
District 14



“Our Product is Service”
Empathy | Ethics | Excellence | Equity

CITY OF DALLAS, TEXAS APPOINTED OFFICIALS SEPTEMBER 30, 2018

Your elected officials, the Mayor and City Council, appoint the executive managers of the City, specifically:

- City Manager T.C. Broadnax
- Interim City Attorney Chris Caso
- Interim City Auditor Carol A. Smith
- City Secretary Bilierae Johnson
- Municipal Court judges

The City Manager appoints an executive leadership team that collectively oversees the City's approximately 13,000 employees and more than \$3 billion budget.

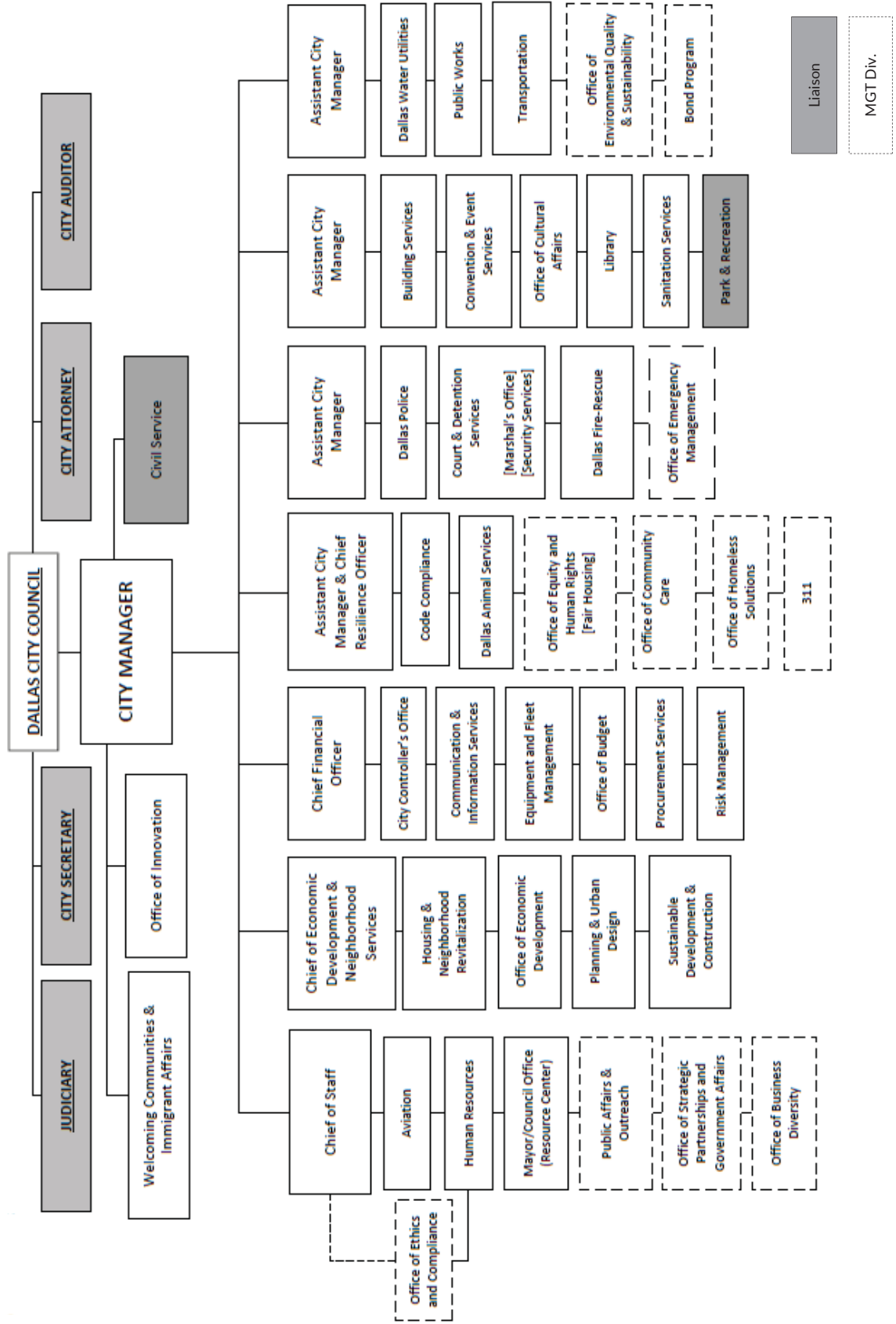


Left to right, top to bottom: Assistant City Manager Jon Fortune, City Manager T.C. Broadnax, Assistant City Manager & Chief Resilience Officer Nadia Chandler Hardy, Assistant City Manager Majed Al-Ghafry, Assistant City Manager Joey Zapata, Chief of Staff Kimberly B. Tolbert, and Chief Financial Officer Elizabeth Reich

Additionally, the City Manager appoints all department directors except:

- The Director of Civil Service, who is appointed by the Civil Service Board; and
- The Director of the Park and Recreation Department, who is appointed by the Park and Recreation Board.

CITY OF DALLAS, TEXAS ORGANIZATIONAL CHART SEPTEMBER 30, 2018





Government Finance Officers Association

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

Presented to

**City of Dallas
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

Executive Director/CEO



“Our Product is Service”
Empathy | Ethics | Excellence | Equity

FINANCIAL SECTION

GRANT THORNTON LLP

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and Members of City Council
City of Dallas, Texas

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dallas, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dallas Police and Fire Pension System and Supplemental Police and Fire Pension Plan of the City of Dallas, which are blended component units, which represent 28%, 33% and 18%, respectively, of the assets, net position and revenues/additions of the aggregate remaining fund information. We also did not audit the financial statements of the Dallas Housing and Acquisition Development Corporation and the Dallas Development Fund, which are discretely presented component units, which represent 1%, -6% and .5%, respectively, of the assets, net position, and revenues of the aggregate discretely, presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based on the reports of the other auditors.

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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dallas, Texas as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1W to the financial statements, the City adopted new accounting and reporting guidance in 2018 for other post-employment benefits. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, and the Schedule of Changes in the City's Net Pension Liability and Related Ratios- Pension Plans, Schedule of City Contributions to Pension Plans, Notes to the Schedule of City Contributions to Pension Plans, and Schedule of Changes in the City's Total Liability and Related Ratios- Other Postemployment Benefits on pages 104 through 111 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 and other auditors 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 financial statements, budgetary comparison schedule-debt service fund, and schedules of capital assets used in the operation of governmental funds 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 by us and other auditors. In our opinion, based on our audit and the report of other auditors, 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 and statistical 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.



Dallas, Texas
March 21, 2019

CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

As management of the City of Dallas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018. The City's management's discussion and analysis is designed to (1) assist the reader in focusing on significant issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual major fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, which can be found on pages v-xvii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$598.3 million.
- The City's governmental activities net position increased from the beginning net position by \$1.2 billion while the business-type activities net position increased by \$152.5 million.
- As of the close of fiscal year 2018, the City's governmental funds reported combined ending fund balances of \$1.2 billion, an increase of \$258.0 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$212.8 million, or approximately 16.2 percent of the total general fund expenditures, including transfers out.
- The City's governmental long-term liabilities had a net decrease of \$3.7 billion from the prior balance of \$9.7 billion. The City's business-type activities long-term liabilities increased \$8.2 million from the prior year's balance of \$4.5 billion.

OVERVIEW OF THE 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 and are made up of the following two statements: the statement of net position and the statement of activities. Both of these statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows 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 net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base, the condition of the City's property tax base, and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.) to assess the overall health or financial condition of the City.

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 result in cash flows in future fiscal periods (e.g. uncollected taxes and 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 portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, code enforcement, environmental and health services, streets, streets, public works, and transportation, equipment and building services, culture and recreation services, housing, and human services.

CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

The business-type activities of the City include water and sewer utilities, convention center, airport, sanitation and landfill, municipal radio, and building inspections. The airport revenue fund includes the activities of the Love Field Airport Modernization Corporation (LFAMC), a blended component unit.

The government-wide financial statements reflect not only the activities of the City itself (known as the primary government), but also those of the seven separate legal entities for which the City is financially accountable – the Housing Finance Corporation, the Housing Acquisition and Development Corporation, Dallas Development Fund, the Downtown Dallas Development Authority (DDDA), the North Oak Cliff Municipal Management District, the Cypress Waters Municipal Management District, and the Dallas Convention Center Hotel Development Corporation, which are reported as discretely presented component units separately from the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

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

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 this comparison between governmental funds and governmental activities.

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general and debt service funds, which are considered to be major funds. Data from the other twenty-one funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the combining financial statements section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16, 18, 20, and 21 of this report.

Proprietary Funds: Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or to other units within the City. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The proprietary funds financial statements provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two 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 the airport, convention center, municipal radio, building inspection, sanitation, and water utilities operations. All of the City's enterprise funds, except the municipal radio and building inspection, are considered major funds.
- Internal Service funds accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its equipment services, communication equipment, office services, information services, and risk management programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. 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 combining financial statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 22-29 of this report.

CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's pension trust and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the 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 can be found immediately following the basic financial statements. The notes to the financial statements can be found on pages 32-103 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was approximately \$598.3 million as of September 30, 2018. Analyzing the net position of governmental and business-type activities separately, the governmental activities had a deficit balance of approximately \$2.8 billion and the business-type activities net position was a deficit of approximately \$3.4 billion. This analysis focuses on the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position (Table 1), and changes in revenues and expenses (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 1,566,284	\$ 1,302,234	\$ 1,335,462	\$ 1,279,661	\$ 2,901,746	\$ 2,581,895
Capital assets	4,084,530	3,917,223	6,889,688	6,680,329	10,974,218	10,597,552
Total assets	5,650,814	5,219,457	8,225,150	7,959,990	13,875,964	13,179,447
Deferred outflows of resources	1,224,881	1,946,445	197,992	388,927	1,422,873	2,335,372
Long-term liabilities	6,005,684	9,493,025	4,551,206	4,491,401	10,556,890	13,984,426
Other liabilities	218,526	225,674	207,621	213,165	426,147	438,839
Total liabilities	6,224,210	9,718,699	4,758,827	4,704,566	10,983,037	14,423,265
Deferred inflows of resources	3,473,547	1,294,331	243,958	324,909	3,717,505	1,619,240
Net position:						
Net investment in capital assets	2,818,586	2,746,024	3,125,155	3,009,285	5,943,741	5,755,309
Restricted	263,184	180,303	382,304	360,630	645,488	540,933
Unrestricted (deficit)	(5,903,832)	(6,773,455)	(87,102)	(50,473)	(5,990,934)	(6,823,928)
Total net position (deficit)	\$ (2,822,062)	\$ (3,847,128)	\$ 3,420,357	\$ 3,319,442	\$ 598,295	\$ (527,686)

* The information for fiscal year 2017 was not restated as a result of implementing Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," because the information was not available.

The largest portion of the City's net position reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens and, consequently, they are not available for future spending. Although the City's investment in 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. Overall, net position of the governmental activities increased \$1.2 billion. This was mostly due to negative pension expenses of \$1.2 billion resulting from changes made to the benefits and contributions of the Dallas Police and Fire Pension System mandated by House Bill 3158 that became effective September 1, 2017.

Long-term liabilities decreased by \$3.5 billion in the governmental activities due to a net decrease in the net pension liability of \$4.1 billion, offset by an increase in bonds payable of \$194.0 million.

The business-type activities long-term liabilities increased \$59.8 million, due primarily to a net increase in water revenue bonds of \$117.1 million, offset mainly by overall reductions in airport revenue bonds, sanitation general obligation bonds, and pension obligation bonds due to the repayment of principal amounts during the fiscal year, as well as the recognition of a net decrease in the net pension liability of \$58.3 million.

An additional portion of the City's net position (\$263.2 million governmental activities and \$382.3 million business-type activities) represents resources that are subject to external restrictions on how they may be used. The remaining balance in net position is unrestricted.

CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

In governmental activities, there is a deficit unrestricted net position of \$5.9 billion as a result of long-term liabilities for items such as bonds, compensated absences, unfunded risk liabilities, net pension liability, other postemployment benefits, pollution remediation, pension obligation bonds, and sales tax liability. Because of the focus on current assets and liabilities, the City's budget is developed to address the needs of current operations. The City plans to fund long term liabilities in future budgets as those liabilities consume current assets. In business-type activities, there is a deficit unrestricted net position of \$87.1 million, primarily for items such as the sanitation landfill closure/postclosure liability, as well as compensated absences, net pension liability and other postemployment benefits for all business-type activities.

Analysis of the City's Operations

The table below provides a summary of the City's operations for the fiscal year ended September 30, 2018, with comparative totals for the fiscal year ended September 30, 2017. The governmental activities net position increased by \$1.2 billion and business-type activities net position increased by \$152.5 million. Key elements of these changes in net position are as shown below.

Table 2
Change in Net Position (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017*	2018	2017*	2018	2017*
Revenues:						
Program revenues:						
Charges for services	\$ 271,994	\$ 265,983	\$ 1,006,208	\$ 940,844	\$ 1,278,202	\$ 1,206,827
Operating grants and contributions	72,807	73,693	6,356	6,296	79,163	79,989
Capital grants and contributions	52,942	64,858	34,217	22,050	87,159	86,908
General revenues:						
Ad valorem tax	914,272	854,136	-	-	914,272	854,136
Tax increment financing revenue	11,139	8,829	-	-	11,139	8,829
Special assessments	31,070	-	-	-	31,070	-
Sales tax	307,149	295,361	-	-	307,149	295,361
Franchise fees	151,793	144,205	-	-	151,793	144,205
Hotel occupancy tax	-	-	65,307	59,746	65,307	59,746
Alcohol beverage tax	-	-	13,323	12,624	13,323	12,624
Investment income	16,601	9,567	13,279	6,505	29,880	16,072
Other	19,372	13,792	1,343	24,332	20,715	38,124
Total revenues	1,849,139	1,730,424	1,140,033	1,072,397	2,989,172	2,802,821
Expenses:						
General government	371,548	312,279	-	-	371,548	312,279
Public safety	(350,079)	1,284,942	-	-	(350,079)	1,284,942
Code enforcement	51,710	60,897	-	-	51,710	60,897
Environmental and health services	18,897	17,455	-	-	18,897	17,455
Streets, public works, and transportation	202,815	222,444	-	-	202,815	222,444
Equipment and building services	50,980	46,620	-	-	50,980	46,620
Culture and recreation	213,337	201,716	-	-	213,337	201,716
Housing	15,045	23,696	-	-	15,045	23,696
Human services	21,294	25,703	-	-	21,294	25,703
Interest on long-term debt	70,693	70,676	-	-	70,693	70,676
Dallas water utilities	-	-	553,038	524,308	553,038	524,308
Convention center	-	-	106,487	105,864	106,487	105,864
Airport revenues	-	-	143,697	144,903	143,697	144,903
Sanitation	-	-	100,252	103,363	100,252	103,363
Municipal radio	-	-	2,187	2,290	2,187	2,290
Building inspection	-	-	36,729	38,338	36,729	38,338
Total expenses	666,240	2,266,428	942,390	919,066	1,608,630	3,185,494
Excess before transfers	1,182,899	(536,004)	197,643	153,331	1,380,542	(382,673)
Transfers	45,157	42,303	(45,157)	(42,303)	-	-
Increase (decrease) in net position	1,228,056	(493,701)	152,486	111,028	1,380,542	(382,673)
Net position (deficit) - beginning of year (restated) **	(4,050,118)	(3,353,427)	3,267,871	3,208,414	(782,247)	(145,013)
Net position (deficit) - end of year	\$ (2,822,062)	\$ (3,847,128)	\$ 3,420,357	\$ 3,319,442	\$ 598,295	\$ (527,686)

* The information for fiscal year 2017 was not restated as a result of implementing Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," because the information was not available.

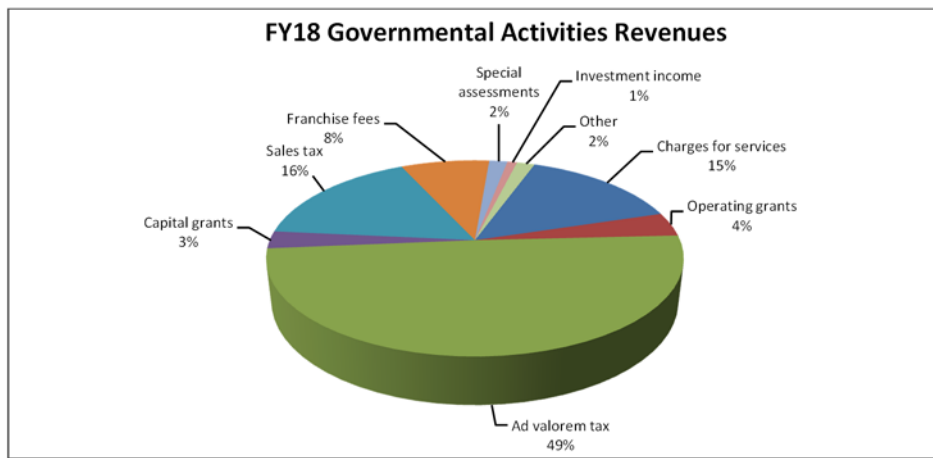
** See note 1W in notes to the basic financial statements.

CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

Governmental Activities

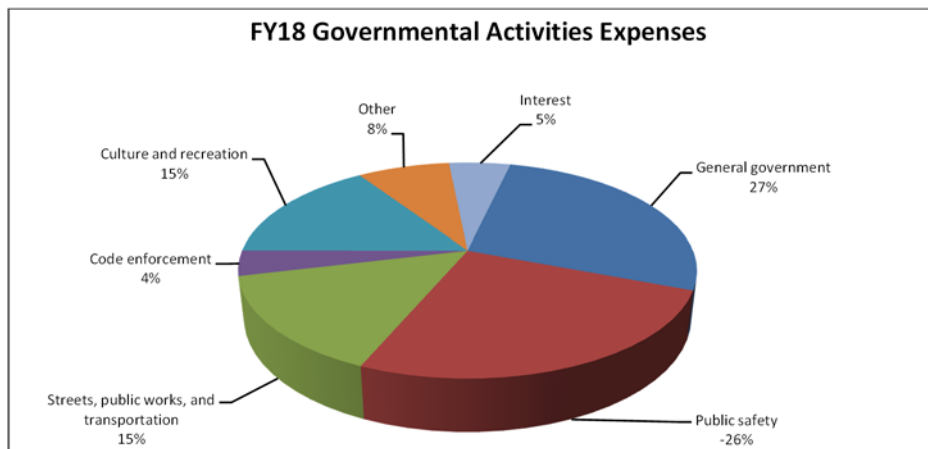
Governmental activities net position (deficit) increased \$1.2 billion in fiscal year 2018. Total revenues and transfers increased \$121.6 million, or 6.9 percent from fiscal year 2017. Significant changes in revenue include the following:

- Ad valorem tax revenues increased \$60.1 million due to an increase in the certified property tax values.
- Tax increment financing (intergovernmental revenue) increased \$2.3 million, primarily due to an increase in the certified property tax values.
- Sales tax revenue increased \$11.8 million due to increased discretionary customer spending.
- Capital grants and contributions decreased \$11.9 million, due primarily to decreases in federal, state and local capital grants for construction, offset by increases in capital contributions from developers and outside entities.
- The average rate of return on investments increased approximately 34.7 percent from 1.122 percent in fiscal year 2017 to 1.511 percent in fiscal year 2018. This increase, combined with increases in cash balances, resulted in an increase in investment income of \$7.0 million.



Total governmental activities expenses decreased approximately \$1.6 billion, or 70.6 percent, from fiscal year 2017. The most significant portion of expenses related to governmental activities is the cost of personnel and related benefits, however, this was offset by the recognition of negative pension expense in the amount of \$1.2 billion related to public safety. The negative pension expense caused negative public safety expense in the amount of \$350.0 million. These items were the result of changes made to the benefits and contributions of the Dallas Police and Fire Pension System mandated by House Bill 3158 that became effective September 1, 2017, and are included in public safety expenses.

- General government expenses increased \$59.3 million, primarily due to an increase in expenses related to estimated unpaid claims of \$111.6 million and overall increases in wages and benefits, offset by a decrease in pension expense of \$15.9 million related to the Employees' Retirement Fund, a decrease of \$23.9 million in economic incentive payments to developers, and an \$18.9 million decrease in other postemployment benefits expense.



CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

Business-type Activities

Business-type activities net position increased \$152.5 million during fiscal year 2018. Total revenues increased \$67.6 million from fiscal year 2017.

Significant changes in revenues include the following:

- During fiscal year 2018, Dallas Water Utilities customer charges increased \$36.1 million from a 1.6 percent retail rate increase and a 7.2 percent wholesale rate increase. Capital contributions from developers also increased \$21.0 million.
- During fiscal year 2018, airport operating revenues increased \$23.2 million, due to increased passenger traffic, which resulted in higher rental fees, concession fees, and parking fees.
- Sanitation customer charges increased \$4.3 million, mostly due to an approximate increase of 3.5 percent in residential rates, offset by decreases in paper and cardboard recycling revenues.

Total business-type activities expenses increased \$23.3 million from fiscal year 2017. The following items contributed to changes in expenses during fiscal year 2018:

- Dallas Water Utilities personnel expenses decreased \$16.5 million, due mostly to a \$16.0 million decrease in pension expense, which is included in personnel expenses. Supplies and materials expense increased \$12.7 million, primarily due to an increase of \$8.9 million in payments supplies and other items, and an increase of \$2.6 million in supplies and repairs of wastewater mains.
- Airport personnel expenses decreased \$1.3 million due primarily to a decrease in pension expense. Supplies and materials expense and contractual services expense decreased \$1.1 million and \$3.6 million, respectively, offset by an increase of \$4.1 million in interest expense related to payments on long term liabilities.
- Sanitation personnel expenses decreased \$4.7 million due primarily to a decrease of \$5.2 million in pension expense, offset by increases in salaries and benefits, supplies and materials, and depreciation expense.
- Personnel services in nonmajor enterprise funds (building inspections and municipal radio) decreased \$2.7 million, due primarily to a decrease in pension expense.

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CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of fiscal year 2018, the City's governmental funds reported combined ending fund balance of \$1.2 billion, an increase of \$258.0 million in comparison with the prior fiscal year fund balance. The nonmajor capital projects fund balance increased \$191.5 million, due mainly to the issuance of general obligation bonds for capital projects, offset by capital expenditures related to current and prior year bond issuance. The nonmajor special revenue funds fund balance increased \$29.0 million, due primarily to the receipt of \$5.4 million in repayments from developers related to Section 108 loans, increases in charges for services in the amount of \$7.8 million for stormwater fees, increases of \$1.3 million in confiscated money awards revenue, and decreases of \$4.6 million in expenditures related to Hurricane Harvey sheltering operations, \$1.0 million in debt service payments, \$1.1 million in economic grants to developers and \$1.4 million in contractual services related to economic development, and decreases in culture and recreation expenditures of \$3.1 million. The debt service fund balance increased \$16.3 million as a result of increases in ad valorem tax revenue.

The general fund is the chief operating fund of the City, and its fund balance increased \$21.1 million in fiscal year 2018. This increase was primarily due to increases in ad valorem tax revenue and sales tax revenue. Approximately \$212.8 million of the general fund's total fund balance of \$256.3 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it is 1) nonspendable in form or required to be maintained intact; 2) restricted for a specific purpose by constitution, external resource providers, or through enabling legislation; 3) committed by a formal action of Council for a specific purpose; or 4) assigned and intended to be used by the government for a specific purpose for contracts and purchase orders of the prior period.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16.2 percent of total general fund expenditures and transfers out, while total fund balance represents 19.5 percent of that same amount.

During fiscal year 2018, the general fund recorded bond proceeds, including premium on bond issuance in the amount of \$62.8 million, and subsequently transferred \$61.7 million to the risk fund to liquidate the liability related to the settlement of a pay referendum lawsuit for uniformed employees.

General fund expenditures increased \$75.6 million. General government expenditures increased \$22.9 million, \$10.1 million of which was a result of moving the Homeless Services/Street Outreach/Support Division and the Housing Administration/Planning Division from housing to general government. General government expenditures also increased approximately \$4.0 million, due to additional reimbursements to public safety, \$2.5 million for school crossing guards, and \$1.6 million for 911 communications fees. Additionally, capital outlay in the general fund increased \$16.1 million, mostly due to street infrastructure improvements and 911 center system upgrades. Public safety expenditures increased \$23.9 million, due to increased wages to first responders, increased pension contributions, and enhanced ambulance service. Finally, there were overall increases to wages and benefits throughout all City departments.

The debt service fund had a total fund balance of \$28.9 million at September 30, 2018 restricted for the payment of debt service. The debt service fund balance increased during the current year by \$16.3 million primarily due to higher than expected ad valorem tax revenues.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position in Dallas Water Utilities and Sanitation at the end of the year amounted to a deficit balance of \$87.1 million and \$132.7 million, respectively. The unrestricted net position in the Convention Center and the Airport Revenues Fund was \$77.4 million and \$14.1 million, respectively. The total change in net position was an increase of \$128.8 million in Dallas Water Utilities, an increase of \$11.0 million in Convention Center, an increase of \$16.9 million in the Airport Revenues Fund, and a decrease of \$2.6 million in Sanitation. Factors regarding the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

General Fund Budgetary Highlights

During the fiscal year, both the final amended revenue budget and the final amended expenditure budget represented a slight increase of 1.3 percent from the original budget.

Actual budgetary basis revenues and transfers-in were higher by \$7.3 million, or less than 1 percent from final budgeted amounts. This was primarily due to actual revenues being unexpectedly higher than the final budgeted revenues related to services to others and investment income. Actual budgetary expenditures and transfers out were less than the final amended budget by \$22.2 million, or 1.7 percent, due mainly to most general fund departments experiencing overall cost savings during fiscal year 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the City had approximately \$11.0 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines (see table 3). This amount represents a net increase of \$376.7 million or 3.6 percent over the prior fiscal year.

Table 3
Capital Assets
(Net of Accumulated Depreciation, in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 508,915	\$ 494,617	\$ 329,163	\$ 322,570	\$ 838,078	\$ 817,187
Artwork	49,870	49,867	3,396	3,396	53,266	53,263
Construction in progress	356,287	329,761	1,094,615	1,154,254	1,450,902	1,484,015
Water rights	-	-	229,919	233,458	229,919	233,458
Buildings	832,077	791,171	1,314,276	1,185,116	2,146,353	1,976,287
Improvements other than buildings	457,233	465,867	357,768	361,704	815,001	827,571
Equipment	181,742	181,811	258,988	222,647	440,730	404,458
Infrastructure assets	1,698,406	1,604,129	338,898	340,297	2,037,304	1,944,426
Utility property	-	-	2,962,665	2,856,887	2,962,665	2,856,887
Totals	\$ 4,084,530	\$ 3,917,223	\$ 6,889,688	\$ 6,680,329	\$ 10,974,218	\$ 10,597,552

Some of the major additions for fiscal year 2018 included (gross additions – in millions):

Street and transportation improvements	\$ 115.5
Flood control/storm drainage improvements	14.5
Katy Trail extension	15.6
Livestock center	11.9
Land acquisitions	20.1
Equipment acquisitions	48.5
Water and wastewater facilities	173.4
Total	\$ 399.5

The general purpose capital improvement program provides for improvements to, and/or construction of, the City's street system; parks and recreational facilities; libraries; police and fire protection facilities; cultural art facilities; the flood protection and storm drainage systems; other City-owned facilities; and economic initiatives. General obligation bonds are the primary financing mechanism for these capital improvements.

The capital improvement program for the enterprise funds consists primarily of improvements to, and/or construction of, water and wastewater systems, and air transportation facilities. The primary financing mechanism for these capital improvements are enterprise fund net revenues and issuance of debt such as commercial paper and revenue bonds.

More detailed information about the City's capital assets is presented in Note 8 to the financial statements.

CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

Debt

At fiscal year-end, the City had \$5.5 billion in bonds for both governmental and business-type activities, an obligation for revenue credit agreement (including accrued unpaid interest), and water transmission facilities financing agreement outstanding, as shown in Table 4.

Table 4
Outstanding Debt at Fiscal Year-end (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 1,558,069	\$ 1,354,921	\$ 5,992	\$ 6,939	\$ 1,564,061	\$ 1,361,860
Certificates of obligation	10,115	13,110	-	-	10,115	13,110
Pension obligation bonds	170,501	176,626	78,188	80,997	248,689	257,623
Revenue bonds	-	-	2,798,246	2,682,386	2,798,246	2,682,386
Water transmission facilities financing agreement	-	-	435,836	445,954	435,836	445,954
Obligation for revenue credit agreement	-	-	424,055	431,765	424,055	431,765
Total	\$ 1,738,685	\$ 1,544,657	\$ 3,742,317	\$ 3,648,041	\$ 5,481,002	\$ 5,192,698

Bond proceeds for governmental activities will be used to pay costs of various equipment purchases, street systems, playgrounds, recreation facilities, library facilities, and other City infrastructure and facilities.

In December 2017, the City issued general obligation refunding and improvement bonds, Series 2017, of \$302.0 million with a stated interest rate range of 3.1% to 5.0% and a final maturity of February 15, 2037. The bonds were issued to refund certain outstanding bonds of the City (general obligation bonds, Series 2007A), refund outstanding commercial paper, finance certain public improvements, and pay the cost of issuance of the bonds.

In August 2018, the City issued general obligation refunding bonds, Series 2018, of \$58.7 million with a stated interest rate range of 3.1% to 5.0% and a final maturity of February 15, 2038. The bonds were issued to settle legal claims related to a pay referendum lawsuit for uniformed employees.

In May 2018, Dallas Water Utilities issued Waterworks and Sewer System Revenue Refunding Bonds Series 2018A and Series 2018B of \$66.0 million and interest rates ranging from 0.02 percent to 1.70 percent. Final maturity will occur on October 1, 2047. The bonds were issued to fund capital construction projects.

In September 2018, Dallas Water Utilities issued Waterworks and Sewer System Revenue Refunding Bonds Series 2018C of \$153 million with a premium of \$11.2 million and interest rates ranging from 4.00 percent to 5.00 percent. Final maturity will occur on October 1, 2047. The bonds were issued to refund outstanding commercial paper used by Dallas Water Utilities to fund capital construction projects.

The City's General Obligation, General Obligation Pension, Waterworks and Sewer System, General Airport Revenue, Civic Center Convention Complex, Dallas Convention Center Development Corp, and Downtown Dallas Development Authority bonds' underlying ratings as of September 30, 2018 are listed below.

	Moody's Investors Service	Standard & Poor's	Fitch
General Obligation Bonds	A1	AA-	AA
General Obligation Pension Bonds	A1	AA-	AA
Revenue Bonds:			
Waterworks and Sewer System	Aa1	AAA	AA+
General Airport Revenue	A1	A	A
Civic Center Convention Complex	A1	A	N/R
Dallas Convention Center Development Corporation	Baa1	A-	N/R
Downtown Dallas Development Authority	A2	A+	N/R

More information about the City's debt is presented in Note 11 to the financial statements.

CITY OF DALLAS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Dallas City Council has identified six strategic priorities – Public Safety; Mobility Solutions, Infrastructure, and Sustainability; Economic and Neighborhood Vitality; Human and Social Needs; Quality of Life; and Government Performance and Financial Management. Property value for the tax roll as of January 1, 2018 is \$130.1 billion; which is a 9.94 percent increase from the 2017 tax roll. The adopted fiscal year 2018-19 tax rate of \$0.7767 per \$100 valuation is a \$0.0037 reduction from the fiscal year 2017-18 adopted tax rate of \$.7804. The fiscal year 2018-19 budget of \$3.6 billion is balanced, utilizing various cost containment strategies, revenue enhancements, and operational efficiencies.

With the multitude of water challenges across Texas, the City will continue to focus on maintaining infrastructure, conserving resources, and providing for future needs through replacement of aged water and wastewater mains; improvements at water treatment plants to improve reliability and water quality as well as increase capacity; continued water conservation efforts; and the TRWD integrated pipeline project to connect Lake Palestine to Dallas' water supply system to meet future needs. There was no retail or wholesale revenue rate increase for fiscal year 2018-19.

The City of Dallas is experiencing areas of economic growth. The City's unemployment rate of 3.6 percent is below the national average of 4 percent. Property tax revenue is the single largest revenue source and accounts for 49.1 percent of General fund revenue. Fiscal year 2019 will mark the seventh consecutive year of growth in property value. As the second largest revenue source in General Fund, sales tax revenue is projected at \$311.6 million for fiscal year 2018-19; which is a 2.7 percent increase from the fiscal year 2017-18 budget. The combined property tax and sales tax revenue in the General Fund budget is projected to increase \$84.5 million from fiscal year 2018 to fiscal year 2019.

In fiscal year 2018-19 the City will continue to focus on Service First. It makes significant investments in public safety, including increased wages for first responders, recruitment and retention funding to help stabilize police and fire staffing, increased pension contributions, and improvements to the 911 system. The budget also funds important services such as clean water, libraries, and parks. In addition, the budget invests in solving problems our community faces, such as homelessness, affordable housing, and underserved neighborhoods.

The City's fiscal year 2019 capital budget also provides \$300.0 million for water utilities capital improvements, \$106.7 million for City facilities, \$58.2 million for aviation facilities, \$13.5 million for convention and event services \$11.0 million for cultural facilities, \$80.6 million for economic development, \$103.7 for parks and recreation, \$95.1 million for public works, \$22.2 million for storm drainage management, and \$7.2 for transportation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Controller's Office, at City of Dallas, 1500 Marilla, Room 2BS, Dallas, Texas 75201.

CITY OF DALLAS, TEXAS
STATEMENT OF NET POSITION

September 30, 2018
(in thousands)

	Primary Government			Discretely Presented Component Units	
	Governmental	Business-Type	Total	Governmental	Business-type
	Activities	Activities		Governmental	Business-type
Assets					
Cash and cash equivalents	\$ 506,043	\$ 470,894	\$ 976,937	\$ 19,065	\$ 102,527
Other investments, at fair value	16,810	-	16,810	3,412	-
Receivables, net	258,573	110,672	369,245	959	9,152
Internal balances	(6,235)	6,235	-	-	-
Prepaid items	29	6,374	6,403	6	659
Inventories, at cost	14,372	15,707	30,079	-	674
Other assets	2,324	123	2,447	1,210	204
Restricted assets:					
Cash and cash equivalents	774,368	434,935	1,209,303	8,085	27,364
Other investments, at fair value	-	134,100	134,100	-	37,052
Future pipeline reserve capacity rights	-	116,033	116,033	-	-
Customer assessments	-	670	670	-	-
Escrow deposit	-	39,719	39,719	-	-
Capital assets:					
Land	508,915	329,163	838,078	1,283	27,511
Artwork	49,870	3,396	53,266	-	-
Construction in progress	356,287	1,094,615	1,450,902	-	127
Water rights	-	353,910	353,910	-	-
Buildings	1,410,592	2,008,675	3,419,267	138	332,813
Improvements other than buildings	694,164	522,224	1,216,388	-	-
Equipment	720,233	792,580	1,512,813	7	43,214
Infrastructure assets	2,716,307	604,739	3,321,046	-	-
Utility property	-	4,179,893	4,179,893	-	-
Less accumulated depreciation	(2,371,838)	(2,999,507)	(5,371,345)	-	(81,847)
Total assets	<u>5,650,814</u>	<u>8,225,150</u>	<u>13,875,964</u>	<u>34,165</u>	<u>499,450</u>
Deferred outflows of resources					
Deferred loss on refunding	16,717	58,683	75,400	-	-
Deferred outflows of resources related to pensions	1,203,884	138,255	1,342,139	-	-
Deferred outflows of resources related to other postemployment benefits	4,280	1,054	5,334	-	850
Total deferred outflows of resources	<u>1,224,881</u>	<u>197,992</u>	<u>1,422,873</u>	<u>-</u>	<u>850</u>
Liabilities					
Accrued payroll	24,589	2,064	26,653	-	1,356
Accounts payable	51,243	32,488	83,731	459	8,740
Due to other governments	4,772	526	5,298	-	-
Contracts payable	81,239	-	81,239	-	-
Other liabilities	12,646	1,934	14,580	-	-
Construction accounts payable	13,760	75,565	89,325	-	-
Accrued bond interest payable	10,669	60,157	70,826	-	15,268
Unearned revenue	17,207	10,976	28,183	181	4,417
Customer deposits	2,401	20,945	23,346	-	-
Customer construction advances	-	2,966	2,966	-	-
Noncurrent liabilities:					
Due within one year	444,349	153,239	597,588	2,753	6,637
Due in more than one year	5,561,335	4,397,967	9,959,302	91,874	468,683
Total liabilities	<u>6,224,210</u>	<u>4,758,827</u>	<u>10,983,037</u>	<u>95,267</u>	<u>505,101</u>
Deferred inflows of resources					
Deferred inflows of resources related to pensions	3,456,703	239,807	3,696,510	-	-
Deferred inflows of resources related to other postemployment benefits	16,844	4,151	20,995	-	-
Other deferred inflows of resources	-	-	-	964	24
Total deferred inflows of resources	<u>3,473,547</u>	<u>243,958</u>	<u>3,717,505</u>	<u>964</u>	<u>24</u>
Net position					
Net investment in capital assets	2,818,586	3,125,155	5,943,741	1,427	(66,651)
Restricted for:					
Capital projects	47,809	-	47,809	-	-
Debt service	21,250	257,163	278,413	8,425	-
General government	60,174	-	60,174	-	-
Storm water operations	52,083	-	52,083	-	-
Public safety	12,542	-	12,542	-	-
Culture and recreation	32,153	-	32,153	-	-
Streets and transportation	13,860	-	13,860	-	-
Other purposes	13,211	-	13,211	-	-
Permanent funds - nonexpendable	10,102	-	10,102	-	-
Emergency repairs and replacements	-	5,000	5,000	-	-
Operation and maintenance expenses	-	53,020	53,020	-	-
Passenger facility charges	-	67,121	67,121	-	-
Unrestricted (deficit)	(5,903,832)	(87,102)	(5,990,934)	(71,918)	61,826
Total net position (deficit)	<u>\$ (2,822,062)</u>	<u>\$ 3,420,357</u>	<u>\$ 598,295</u>	<u>\$ (62,066)</u>	<u>\$ (4,825)</u>

CITY OF DALLAS, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018
(in thousands)

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 371,548	\$ 115,092	\$ 15,512	\$ 18,479
Public safety	(350,079)	100,658	14,596	28
Code enforcement	51,710	10,654	227	166
Environmental and health services	18,897	-	15,526	-
Streets, public works, and transportation	202,815	19,714	829	20,939
Equipment and building services	50,980	1,241	-	102
Culture and recreation	213,337	21,853	1,719	13,228
Housing	15,045	2,782	-	-
Human services	21,294	-	24,398	-
Interest on long-term debt	70,693	-	-	-
Total governmental activities	<u>666,240</u>	<u>271,994</u>	<u>72,807</u>	<u>52,942</u>
Business-Type activities:				
Dallas water utilities	553,038	668,624	-	32,805
Convention center	106,487	34,361	5,689	500
Airport revenues	143,697	156,167	667	777
Sanitation	100,252	110,918	-	104
Municipal radio	2,187	1,751	-	31
Building inspection	36,729	34,387	-	-
Total business-type activities	<u>942,390</u>	<u>1,006,208</u>	<u>6,356</u>	<u>34,217</u>
Total primary government	<u>1,608,630</u>	<u>1,278,202</u>	<u>79,163</u>	<u>87,159</u>
Component units:				
Governmental	26,952	1,345	-	-
Business-Type	119,077	112,299	-	-
Total component units	<u>146,029</u>	<u>113,644</u>	<u>-</u>	<u>-</u>

General revenues:

- Ad valorem tax
- Tax increment financing, intergovernmental revenue
- Special assessments
- Sales taxes
- Franchise fees
- Hotel occupancy tax
- Alcohol beverage tax
- Investment income
- Other revenues
- Transfers
- Total general revenues and transfers
- Change in net position
- Net position (deficit), beginning of year (restated - see note 1W)
- Net position (deficit), end of year

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Governmental	Business-Type
\$ (222,465)	\$ -	\$ (222,465)	\$ -	\$ -
465,361	-	465,361	-	-
(40,663)	-	(40,663)	-	-
(3,371)	-	(3,371)	-	-
(161,333)	-	(161,333)	-	-
(49,637)	-	(49,637)	-	-
(176,537)	-	(176,537)	-	-
(12,263)	-	(12,263)	-	-
3,104	-	3,104	-	-
(70,693)	-	(70,693)	-	-
(268,497)	-	(268,497)	-	-
-	148,391	148,391	-	-
-	(65,937)	(65,937)	-	-
-	13,914	13,914	-	-
-	10,770	10,770	-	-
-	(405)	(405)	-	-
-	(2,342)	(2,342)	-	-
-	104,391	104,391	-	-
(268,497)	104,391	(164,106)	-	-
			(25,607)	-
			-	(6,778)
			(25,607)	(6,778)
914,272	-	914,272	-	-
11,139	-	11,139	25,258	-
31,070	-	31,070	-	-
307,149	-	307,149	-	-
151,793	-	151,793	-	-
-	65,307	65,307	-	-
-	13,323	13,323	-	-
16,601	13,279	29,880	190	1,931
19,372	1,343	20,715	28	19,671
45,157	(45,157)	-	-	-
1,496,553	48,095	1,544,648	25,476	21,602
1,228,056	152,486	1,380,542	(131)	14,824
(4,050,118)	3,267,871	(782,247)	(61,935)	(19,649)
\$ (2,822,062)	\$ 3,420,357	\$ 598,295	\$ (62,066)	\$ (4,825)

CITY OF DALLAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2018
(in thousands)

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and cash equivalents	\$ 216,346	\$ 29,047	\$ 164,509	\$ 409,902
Other investments, at fair value	-	-	16,810	16,810
Receivables:				
Ad valorem tax	27,697	11,615	-	39,312
Sales tax	51,774	-	-	51,774
Notes	275	-	65,591	65,866
Special assessments-paving notes	-	-	5,685	5,685
Accounts	136,770	-	43,129	179,899
Accrued interest	439	64	2,434	2,937
Allowance for uncollectible accounts	(74,489)	(10,048)	(44,233)	(128,770)
Due from other governments	336	-	41,026	41,362
Due from other funds	4,821	-	256	5,077
Inventories, at cost	11,227	-	-	11,227
Restricted cash and cash equivalents	-	-	774,368	774,368
Notes receivable from other funds	-	-	4,161	4,161
Total assets	<u>375,196</u>	<u>30,678</u>	<u>1,073,736</u>	<u>1,479,610</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accrued payroll	23,633	-	486	24,119
Accounts payable	32,985	-	5,746	38,731
Due to other funds	268	-	5,077	5,345
Unearned revenue	2,592	-	14,615	17,207
Due to other governments	2,646	-	2,126	4,772
Construction accounts payable	-	-	13,760	13,760
Notes payable to other funds	-	-	10,128	10,128
Customer deposits	2,323	-	78	2,401
Contracts payable	-	-	81,239	81,239
Other liabilities	4,851	-	3,915	8,766
Total liabilities	<u>69,298</u>	<u>-</u>	<u>137,170</u>	<u>206,468</u>
Deferred inflows of resources				
Unavailable revenue	49,644	1,771	38,572	89,987
Fund balances				
Nonspendable	11,227	-	10,102	21,329
Restricted	10,244	28,907	865,250	904,401
Committed	1,250	-	22,642	23,892
Assigned	20,727	-	-	20,727
Unassigned	212,806	-	-	212,806
Total fund balance	<u>256,254</u>	<u>28,907</u>	<u>897,994</u>	<u>1,183,155</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 375,196</u>	<u>\$ 30,678</u>	<u>\$ 1,073,736</u>	<u>\$ 1,479,610</u>

CITY OF DALLAS, TEXAS
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2018
(in thousands)

Total fund balances - governmental funds \$ 1,183,155

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	507,219	
Artwork	49,870	
Construction in progress	356,158	
Infrastructure assets	2,714,485	
Buildings	1,406,157	
Improvements other than buildings	693,095	
Equipment	602,730	
Accumulated depreciation	(2,262,234)	
Total capital assets	4,067,480	4,067,480

Deferred outflows from refunding of debt represent a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources until then. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 16,717

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 89,987

Internal service funds are used by management to charge the costs of certain activities, such as equipment services, communication equipment services, office services, information services, and insurance. The assets and deferred outflows and liabilities and deferred inflows of the internal service funds are included in the governmental activities in the statement of net position. (237,405)

Some long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. Those liabilities consist of:

Bonds payable, plus unamortized bond premium and accretion	2,063,707	
Capital leases	75,788	
Accrued interest on bonds and notes	10,669	
Developer payable	107,183	
Notes payable	48,058	
Commercial paper notes payable	35,160	
Compensated absences	110,259	
Sales tax refund	5,192	
Pollution remediation	1,113	
Total long-term liabilities	(2,457,129)	(2,457,129)

Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds. These amounts consist of:

Net pension liability	2,856,535	
Deferred outflows of resources	(1,175,388)	
Deferred inflows of resources	3,404,036	
	(5,085,183)	(5,085,183)

Other postemployment benefits liability and related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds. These amounts consist of:

Other postemployment benefits liability	387,722	
Deferred outflows of resources	(4,075)	
Deferred inflows of resources	16,037	
	(399,684)	(399,684)

Net position (deficit) of governmental activities \$ (2,822,062)

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018
(in thousands)

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Ad valorem tax	\$ 611,133	\$ 243,711	\$ 57,801	\$ 912,645
Tax increment financing, intergovernmental	-	-	11,139	11,139
Sales tax	307,149	-	-	307,149
Franchise fees	146,209	-	5,584	151,793
Licenses and permits	10,555	-	-	10,555
Intergovernmental	10,215	-	72,422	82,637
Service to others	122,924	-	74,938	197,862
Fines and forfeitures	25,124	-	11,154	36,278
Investment income	4,188	647	10,966	15,801
Special assessments	-	-	31,070	31,070
Contributions and gifts	1,427	-	22,153	23,580
Confiscated money awards	-	-	4,063	4,063
Other revenues	6,554	1,399	10,176	18,129
Total revenues	1,245,478	245,757	311,466	1,802,701
Current expenditures:				
General government	144,161	-	170,013	314,174
Public safety	736,879	-	15,399	752,278
Code enforcement	42,676	-	41	42,717
Environmental and health services	-	-	16,650	16,650
Streets, public works, and transportation	92,431	-	15,399	107,830
Equipment and building services	24,873	-	691	25,564
Culture and recreation	143,813	-	16,024	159,837
Housing	3,954	-	-	3,954
Human services	-	-	19,325	19,325
Debt service:				
Principal	20,336	145,623	2,447	168,406
Interest and fiscal charges	2,700	92,038	1,580	96,318
Payment to refunded bond escrow agent	-	30,675	-	30,675
Capital outlay	23,820	-	242,544	266,364
Total expenditures	1,235,643	268,336	500,113	2,004,092
Excess (deficiency) of revenues over (under) expenditures	9,835	(22,579)	(188,647)	(201,391)
Other financing sources (uses):				
Transfers in	26,283	5,294	45,918	77,495
Transfers out	(77,874)	-	(9,700)	(87,574)
Proceeds from sale of capital assets	75	-	641	716
Premium on debt issued	4,056	5,615	26,773	36,444
Issuance of general obligation bonds	58,715	27,955	274,005	360,675
Inception of capital lease	-	-	33,832	33,832
Issuance of notes	-	-	37,852	37,852
Total other financing sources (uses)	11,255	38,864	409,321	459,440
Net change in fund balances	21,090	16,285	220,674	258,049
Fund balances, beginning of year	235,164	12,622	677,320	925,106
Fund balances, end of year	\$ 256,254	\$ 28,907	\$ 897,994	\$ 1,183,155

CITY OF DALLAS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018
(in thousands)

Net change in fund balances-total governmental funds \$ 258,049

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

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

Capital outlay	266,364	
Capital contributions	20,959	
Capital assets acquired through developer payable	7,625	
Depreciation expense	(124,500)	
Net adjustment		170,448

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Proceeds from sale of capital assets	(716)	
Net loss on disposal of capital assets	(1,945)	(2,661)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment is to recognize the net change in "unavailable" revenues.

(1,023)

The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:		
Premium on debt issued	(36,444)	
Commercial paper notes payable	(35,160)	
General obligation bonds	(360,675)	
Notes payable	(2,692)	
Capital leases	(33,832)	
Repayments:		
Capital lease liability	17,609	
Sales tax refund liability	1,513	
Note principal payment	3,661	
Bond principal payments	135,973	
Payment to refunded bond escrow agent	30,675	
Commercial paper notes payment	9,650	
Net adjustment		(269,722)

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.

Decrease in accrued interest payable	4,811	
Amortization of premium, discount and refunding deferral	23,885	
Accretion on capital appreciation bonds	(3,073)	
Decrease in pollution remediation liability	3,146	
Decrease in compensated absences	1,785	
Decrease in developer payable	5,846	
Total adjustment		36,400

Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurance, compensated absences, and computer replacement, to individual funds. The change in net position for these funds is reported with the governmental activities.

(111,882)

Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

1,154,544

Changes to other postemployment benefits and related deferred inflows and outflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(6,097)

Change in net position of governmental activities

\$ 1,228,056

The notes to financial statements are an integral part of this statement.

CITY OF DALLAS, TEXAS
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NON-GAAP BUDGETARY BASIS
Year Ended September 30, 2018
(in thousands)

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 652,068	\$ 653,668	\$652,462	\$ (1,206)
Sales tax	303,349	304,549	305,398	849
Other tax and franchise revenues	135,320	139,820	141,897	2,077
Licenses and permits	4,669	4,669	4,824	155
Intergovernmental	9,548	9,668	10,194	526
Services to others	116,117	121,626	126,963	5,337
Fines and forfeitures	36,515	36,515	35,171	(1,344)
Investment income	2,017	2,017	4,450	2,433
Miscellaneous revenue	6,580	7,683	9,640	1,957
Total revenues	1,266,183	1,280,215	1,290,999	10,784
Expenditures:				
General government				
City attorney's office	16,788	16,788	16,530	258
City auditor's office	3,360	3,160	3,105	55
Office of budget	3,406	3,406	3,274	132
Non-departmental	77,323	76,684	72,257	4,427
Independent audit	891	891	870	21
City controller's office	5,352	5,379	5,260	119
City manager's office	2,267	2,344	2,248	96
Municipal court - Judiciary	3,454	3,454	3,400	54
Court and detention services	11,627	11,453	11,048	405
Jail contract-Lew Sterrett	8,485	8,485	8,485	-
Civil service	3,081	3,147	3,059	88
Sustainable development and construction	1,657	1,657	1,650	7
Office of economic development	4,841	4,841	4,831	10
Mayor and city council	4,821	4,828	4,633	195
Office of management services	26,611	28,880	25,380	3,500
Human resources	5,235	5,235	5,226	9
Procurement services	2,389	2,390	2,377	13
Elections	144	144	122	22
City secretary's office	2,223	2,696	2,628	68
Total general government	183,955	185,862	176,383	9,479
Public safety				
Dallas police department	465,523	461,549	461,013	536
Dallas fire department	267,027	281,027	277,982	3,045
911 systems operations	12,539	16,748	14,418	2,330
Total public safety	745,089	759,324	753,413	5,911
Code enforcement				
Code compliance	30,439	30,164	29,219	945
Dallas animal services	14,007	14,007	13,817	190
Total code enforcement	44,446	44,171	43,036	1,135

continued

CITY OF DALLAS, TEXAS
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NON-GAAP BUDGETARY BASIS (continued)
Year Ended September 30, 2018
(in thousands)

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Public works and transportation				
Public works	\$ 73,138	\$ 73,138	\$ 72,438	700
Transportation	44,326	44,441	43,313	1,128
Total public works and transportation	<u>117,464</u>	<u>117,579</u>	<u>115,751</u>	<u>1,828</u>
Trinity watershed management	<u>1,303</u>	<u>1,303</u>	<u>952</u>	<u>351</u>
Building services	<u>28,591</u>	<u>28,667</u>	<u>28,394</u>	<u>273</u>
Culture and recreation				
Library	31,280	31,005	30,862	143
Office of cultural affairs	20,268	20,900	20,866	34
Park and recreation	98,006	98,270	97,303	967
Total culture and recreation	<u>149,554</u>	<u>150,175</u>	<u>149,031</u>	<u>1,144</u>
Housing/community services	<u>3,668</u>	<u>4,011</u>	<u>3,843</u>	<u>168</u>
Planning and Neighborhood Vitality	<u>2,911</u>	<u>2,911</u>	<u>2,856</u>	<u>55</u>
Total expenditures	1,276,981	1,294,003	1,273,659	20,344
Excess (deficiency) of revenues over (under) expenditures	(10,798)	(13,788)	17,340	(9,560)
Other financing sources (uses):				
Interfund transfers in	22,778	25,021	21,581	(3,440)
Interfund transfers out	(11,980)	(11,233)	(9,330)	1,903
Total other financing sources (uses)	<u>10,798</u>	<u>13,788</u>	<u>12,251</u>	<u>(1,537)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	-	-	29,591	(11,097)
Fund balances, beginning of year	193,406	193,406	193,406	-
Fund balances, end of year	<u>\$ 193,406</u>	<u>\$ 193,406</u>	<u>\$ 222,997</u>	<u>\$ (11,097)</u>

CITY OF DALLAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018
(in thousands)

	Business-Type Activities Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Dallas Water Utilities	Convention Center	Airport Revenues	Sanitation	Nonmajor Enterprise Funds		
Assets							
Current assets:							
Pooled cash and cash equivalents	\$ 221,144	\$ 98,210	\$ 55,050	\$ 36,715	\$ 59,775	\$ 470,894	\$ 96,141
Receivables:							
Accounts	82,440	3,468	13,242	15,060	560	114,770	336
Taxes	-	8,788	-	-	-	8,788	-
Accrued interest	1,389	323	350	107	139	2,308	172
Allowance for uncollectible accounts	(9,633)	(436)	(30)	(5,397)	(14)	(15,510)	-
Due from other governments	-	-	316	-	-	316	-
Due from other funds	268	-	-	-	-	268	-
Prepaid items	5,939	-	435	-	-	6,374	29
Inventories, at cost	13,504	724	1,236	243	-	15,707	3,145
Restricted assets:							
Customer assessments	626	-	44	-	-	670	-
Pooled cash and cash equivalents for current debt service	146,313	4,025	-	-	-	150,338	-
Cash and cash equivalents Held for construction purposes	51,314	3,569	-	-	-	54,883	-
Customer deposits:							
Pooled cash and cash equivalents	17,849	-	-	1,076	-	18,925	-
Other assets	123	-	-	-	-	123	2,324
Total current assets	531,276	118,671	70,643	47,804	60,460	828,854	102,147
Noncurrent assets:							
Capital Assets:							
Land	110,592	82,728	131,184	3,759	900	329,163	1,696
Artwork	-	-	3,396	-	-	3,396	-
Construction in progress	1,048,014	2,037	43,229	1,168	167	1,094,615	129
Water rights	353,910	-	-	-	-	353,910	-
Buildings	524,565	597,821	880,755	5,197	337	2,008,675	4,435
Improvements other than buildings	81,851	64,381	353,487	22,232	273	522,224	1,069
Infrastructure assets	581,188	12,652	4,896	6,003	-	604,739	1,822
Equipment	610,022	45,896	85,477	46,642	4,543	792,580	117,503
Utility property	4,179,893	-	-	-	-	4,179,893	-
Accumulated depreciation	(2,289,677)	(355,974)	(315,565)	(34,050)	(4,241)	(2,999,507)	(109,604)
Total capital assets	5,200,358	449,541	1,186,859	50,951	1,979	6,889,688	17,050
Other noncurrent assets:							
Restricted assets:							
Future pipeline reserve capacity rights	116,033	-	-	-	-	116,033	-
Held for construction purposes:							
Cash and cash equivalents	-	-	2,749	-	-	2,749	-
Other investment	-	-	18,821	-	-	18,821	-
Pooled cash and cash equivalents for future debt service	19,125	935	12,522	-	-	32,582	-
Pooled cash and cash equivalents for emergency repairs and replacements	-	-	5,000	-	-	5,000	-
Pooled cash and cash equivalents for operation and maintenance expenses	-	-	13,301	-	-	13,301	-
Pooled cash and cash equivalents for passenger facility charges	-	-	67,121	-	-	67,121	-
Other investments							
for future debt service at fair value	88,839	22,547	22,714	-	-	134,100	-
Cash and cash equivalents held by escrow agent	71,215	-	-	-	-	71,215	-
Notes receivable from other funds	5,967	-	-	-	-	5,967	-
Prepaid escrow	39,719	-	-	-	-	39,719	-
Total other noncurrent assets	340,898	23,482	142,228	-	-	506,608	-
Total noncurrent assets	5,541,256	473,023	1,329,087	50,951	1,979	7,396,296	17,050
Total assets	6,072,532	591,694	1,399,730	98,755	62,439	8,225,150	119,197
Deferred outflows of resources							
Deferred loss on refunding	55,653	2,947	13	45	25	58,683	-
Deferred outflows of resources related to pensions	86,676	3,051	7,686	25,803	15,039	138,255	28,496
Deferred outflows of resources related to other postemployment benefits	581	45	111	206	111	1,054	205
Total deferred outflows of resources	\$ 142,910	\$ 6,043	\$ 7,810	\$ 26,054	\$ 15,175	\$ 197,992	\$ 28,701

CITY OF DALLAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (continued)
September 30, 2018
(in thousands)

	Business-Type Activities						Governmental Activities- Internal Service Funds
	Enterprise Funds						
	Dallas Water Utilities	Convention Center	Airport Revenues	Sanitation	Nonmajor Enterprise Funds	Total	
Liabilities							
Current liabilities:							
Accrued payroll	\$ 1,132	\$ 86	\$ 207	\$ 382	\$ 257	\$ 2,064	\$ 470
Accounts payable	12,330	8,625	4,004	6,746	783	32,488	12,512
Compensated absences	5,820	431	869	1,518	1,175	9,813	2,355
Due to other governments	-	3	-	523	-	526	-
Unearned revenue	-	-	3,049	75	7,852	10,976	-
Estimated unpaid health claims	-	-	-	-	-	-	8,312
Estimated unpaid claims - general	-	-	-	-	-	-	181,218
Workers' compensation	-	-	-	-	-	-	7,211
Accrued interest payable on notes	222	16	21	108	39	406	-
General obligation bonds	-	-	-	825	-	825	-
Pension obligation bonds	1,622	116	152	530	295	2,715	-
Pollution remediation	-	-	788	-	-	788	-
Notes payable	-	-	-	-	-	-	-
Obligation for revenue credit agreement	-	-	8,095	-	-	8,095	-
Landfill closure/postclosure	-	-	-	268	-	268	-
Capital leases	-	-	1,158	5,818	-	6,976	-
Other liabilities	-	-	-	-	1,934	1,934	3,880
Total current liabilities	<u>21,126</u>	<u>9,277</u>	<u>18,343</u>	<u>16,793</u>	<u>12,335</u>	<u>77,874</u>	<u>215,958</u>
Current liabilities (payable from restricted assets):							
Construction accounts payable	65,457	76	10,032	-	-	75,565	-
Accrued interest payable on bonds	44,050	1,852	13,849	-	-	59,751	-
Water transmission facilities financing agreement	9,506	-	-	-	-	9,506	-
Revenue bonds	101,803	8,565	3,885	-	-	114,253	-
Total current liabilities (payable from restricted assets)	<u>220,816</u>	<u>10,493</u>	<u>27,766</u>	<u>-</u>	<u>-</u>	<u>259,075</u>	<u>-</u>
Total current liabilities	<u>241,942</u>	<u>19,770</u>	<u>46,109</u>	<u>16,793</u>	<u>12,335</u>	<u>336,949</u>	<u>215,958</u>
Noncurrent liabilities:							
Revenue bonds	2,372,298	277,200	243,046	-	-	2,892,544	-
Obligation for revenue credit agreement	-	-	411,210	-	-	411,210	-
Accreted interest on pension obligation bonds	29,850	2,131	2,798	9,759	5,436	49,974	-
General obligation bonds	-	-	-	5,436	-	5,436	-
Pension obligation bonds	65,336	4,650	6,122	21,360	11,905	109,373	-
Water transmission facilities financing agreement	426,330	-	-	-	-	426,330	-
Capital leases	-	-	70,612	13,142	-	83,754	-
Total long-term debt	<u>2,893,814</u>	<u>283,981</u>	<u>733,788</u>	<u>49,697</u>	<u>17,341</u>	<u>3,978,621</u>	<u>-</u>
Other long-term liabilities:							
Estimated unpaid claims - general	-	-	-	-	-	-	8,785
Arbitrage rebate	106	-	-	-	-	106	-
Other postemployment benefits	58,707	4,528	9,771	19,855	10,722	103,583	19,816
Net pension liability	163,780	6,384	16,190	49,196	28,620	264,170	54,744
Workers' compensation	-	-	-	-	-	-	30,162
Customer deposits	17,849	2,020	-	1,076	-	20,945	-
Customer construction advances	2,966	-	-	-	-	2,966	-
Pollution remediation	-	59	340	-	-	399	-
Landfill closure/postclosure	-	-	-	41,233	-	41,233	-
Compensated absences	5,843	433	873	1,525	1,181	9,855	2,364
Total other long-term liabilities	<u>249,251</u>	<u>13,424</u>	<u>27,174</u>	<u>112,885</u>	<u>40,523</u>	<u>443,257</u>	<u>115,871</u>
Total noncurrent liabilities	<u>3,143,065</u>	<u>297,405</u>	<u>760,962</u>	<u>162,582</u>	<u>57,864</u>	<u>4,421,878</u>	<u>115,871</u>
Total liabilities	<u>3,385,007</u>	<u>317,175</u>	<u>807,071</u>	<u>179,375</u>	<u>70,199</u>	<u>4,758,827</u>	<u>331,829</u>
Deferred inflows of resources							
Deferred inflows of resources related to pensions	136,716	10,097	18,746	45,322	28,926	239,807	52,667
Deferred inflows of resources related to other postemployment benefits	2,286	178	438	810	439	4,151	807
Total deferred inflows of resources	<u>139,002</u>	<u>10,275</u>	<u>19,184</u>	<u>46,132</u>	<u>29,365</u>	<u>243,958</u>	<u>53,474</u>
Net Position							
Net investment in capital assets	2,463,526	167,268	460,391	31,991	1,979	3,125,155	17,050
Restricted:							
Debt service	210,121	25,655	21,387	-	-	257,163	-
Emergency repairs and replacements	-	-	5,000	-	-	5,000	-
Operation and maintenance expenses	39,719	-	13,301	-	-	53,020	-
Passenger facility charges	-	-	67,121	-	-	67,121	-
Unrestricted (deficit)	<u>(21,933)</u>	<u>77,364</u>	<u>14,085</u>	<u>(132,689)</u>	<u>(23,929)</u>	<u>(87,102)</u>	<u>(254,455)</u>
Total net position (deficit)	<u>\$ 2,691,433</u>	<u>\$ 270,287</u>	<u>\$ 581,285</u>	<u>\$ (100,698)</u>	<u>\$ (21,950)</u>	<u>\$ 3,420,357</u>	<u>\$ (237,405)</u>

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2018
(in thousands)

	Business-Type Activities Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Dallas Water Utilities	Convention Center	Airport Revenues	Sanitation	Nonmajor Enterprise Funds		
Operating revenues:							
Customer charges	\$ 668,624	\$ 34,361	\$ 127,017	\$ 110,918	\$ 36,138	\$ 977,058	\$ -
Charges to other City departments	-	-	-	-	-	-	246,622
Charges to employees/retirees	-	-	-	-	-	-	58,726
Intergovernmental	-	5,689	667	-	-	6,356	-
Other revenues	-	33	567	16	727	1,343	795
Total operating revenues	<u>668,624</u>	<u>40,083</u>	<u>128,251</u>	<u>110,934</u>	<u>36,865</u>	<u>984,757</u>	<u>306,143</u>
Operating expenses:							
Personnel services	115,487	10,058	21,147	42,177	27,614	216,483	62,115
Supplies and materials	85,833	5,044	7,736	7,619	499	106,731	27,653
Contractual and other services	122,021	57,091	46,066	43,102	9,777	278,057	381,403
Depreciation	123,315	18,207	32,521	5,183	101	179,327	3,414
Total operating expenses	<u>446,656</u>	<u>90,400</u>	<u>107,470</u>	<u>98,081</u>	<u>37,991</u>	<u>780,598</u>	<u>474,585</u>
Operating income (loss)	<u>221,968</u>	<u>(50,317)</u>	<u>20,781</u>	<u>12,853</u>	<u>(1,126)</u>	<u>204,159</u>	<u>(168,442)</u>
Nonoperating revenues (expenses):							
Investment income	7,774	1,483	2,714	561	747	13,279	800
Alcohol beverage tax	-	13,323	-	-	-	13,323	-
Hotel occupancy tax	-	65,307	-	-	-	65,307	-
Passenger facility charges	-	-	29,150	-	-	29,150	-
Interest on bonds and notes	(106,064)	(16,087)	(36,227)	(2,171)	(925)	(161,474)	-
Net gain (loss) on property disposals	(318)	-	-	-	-	(318)	524
Total nonoperating revenues (expenses)	<u>(98,608)</u>	<u>64,026</u>	<u>(4,363)</u>	<u>(1,610)</u>	<u>(178)</u>	<u>(40,733)</u>	<u>1,324</u>
Income (loss) before contributions and transfers	123,360	13,709	16,418	11,243	(1,304)	163,426	(167,118)
Contributions and transfers							
Capital contributions	32,805	500	777	104	31	34,217	-
Transfers in	9	195	7	5,166	-	5,377	64,175
Transfers out	(27,346)	(3,412)	(327)	(19,104)	(345)	(50,534)	(8,939)
Total contributions and transfers	<u>5,468</u>	<u>(2,717)</u>	<u>457</u>	<u>(13,834)</u>	<u>(314)</u>	<u>(10,940)</u>	<u>55,236</u>
Change in net position	128,828	10,992	16,875	(2,591)	(1,618)	152,486	(111,882)
Net position (deficit), beginning of year (restated - see note)	2,562,605	259,295	564,410	(98,107)	(20,332)	3,267,871	(125,523)
Net position (deficit), end of year	<u>\$ 2,691,433</u>	<u>\$ 270,287</u>	<u>\$ 581,285</u>	<u>\$ (100,698)</u>	<u>\$ (21,950)</u>	<u>\$ 3,420,357</u>	<u>\$ (237,405)</u>



“Our Product is Service”
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CITY OF DALLAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2018
(in thousands)

	Business-Type Activities Enterprise Funds			
	Dallas Water Utilities	Convention Center	Airport Revenues	Sanitation
Cash flows from operating activities:				
Cash received from customers	\$ 667,954	\$ 40,847	\$ 129,210	\$ 116,390
Cash payments to suppliers for goods and services	(82,564)	(5,329)	(13,022)	(6,347)
Cash payments to employees for services	(92,389)	(8,139)	(17,496)	(34,551)
Cash payments for contractual services	(119,712)	(57,092)	(45,583)	(41,961)
Other operating cash receipts	-	33	567	16
Net cash provided by (used in) operating activities	<u>373,289</u>	<u>(29,680)</u>	<u>53,676</u>	<u>33,547</u>
Cash flows from non-capital financing activities:				
Taxes	-	78,502	-	-
Principal paid on pension obligation bonds	(1,678)	(120)	(157)	(547)
Interest paid on pension obligation bonds	(4,768)	(347)	(453)	(1,590)
Transfers from other funds	154	195	7	5,166
Transfers to other funds	(27,346)	(3,412)	(327)	(19,104)
Net cash provided by (used in) non-capital financing activities	<u>(33,638)</u>	<u>74,818</u>	<u>(930)</u>	<u>(16,075)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(223,121)	(3,398)	(87,597)	(11,775)
Proceeds from sale of capital assets	-	-	-	10
Proceeds from obligation for revenue bonds	230,141	-	-	-
Proceeds from notes payable and other obligations	-	-	-	6,561
Principal paid on revenue bonds	(94,855)	(8,250)	-	(6,175)
Principal paid on notes payable and other obligations	-	-	(8,767)	-
Interest paid on bonds, notes, and other obligations	(109,739)	(15,232)	(38,615)	(622)
Proceeds from sale of commercial paper notes	145,200	-	-	-
Retirement of commercial paper notes	(163,700)	-	-	-
Passenger facility charges	-	-	37,027	-
Capital contribution income	-	500	-	-
Net cash provided by (used in) capital and related financing activities	<u>(216,074)</u>	<u>(26,380)</u>	<u>(97,952)</u>	<u>(12,001)</u>
Cash flows from investing activities:				
Purchase of investments	(20,000)	-	(12,994)	-
Maturity of investments	-	-	84,237	-
Investment income	7,984	1,456	2,646	543
Net cash provided by (used in) investing activities	<u>(12,016)</u>	<u>1,456</u>	<u>73,889</u>	<u>543</u>
Net increase (decrease) in cash and cash equivalents	111,561	20,214	28,683	6,014
Cash and cash equivalents, beginning of year	415,399	86,525	127,060	31,777
Cash and cash equivalents, end of year	<u>\$ 526,960</u>	<u>\$ 106,739</u>	<u>\$ 155,743</u>	<u>\$ 37,791</u>

Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
\$ 36,943	\$ 991,344	\$ 306,536
(126)	(107,388)	(29,094)
(22,607)	(175,182)	(51,583)
(8,918)	(273,266)	(268,427)
727	1,343	795
<u>6,019</u>	<u>436,851</u>	<u>(41,773)</u>
-	78,502	-
(306)	(2,808)	-
(890)	(8,048)	-
-	5,522	64,175
(345)	(50,534)	(8,939)
<u>(1,541)</u>	<u>22,634</u>	<u>55,236</u>
(256)	(326,147)	(3,153)
-	10	743
-	230,141	-
-	6,561	-
-	(109,280)	-
-	(8,767)	-
-	(164,208)	-
-	145,200	-
-	(163,700)	-
-	37,027	-
-	500	-
<u>(256)</u>	<u>(352,663)</u>	<u>(2,410)</u>
-	(32,994)	-
-	84,237	-
748	13,377	724
<u>748</u>	<u>64,620</u>	<u>724</u>
4,970	171,442	11,777
54,805	715,566	84,364
<u>\$ 59,775</u>	<u>\$ 887,008</u>	<u>\$ 96,141</u>

continued

CITY OF DALLAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Year Ended September 30, 2018
(in thousands)

	Business-Type Activities Enterprise Funds			
	Dallas Water Utilities	Convention Center	Airport Revenues	Sanitation
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 221,968	\$ (50,317)	\$ 20,781	\$ 12,853
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	123,315	18,207	32,521	5,183
Change in assets and liabilities				
(Increase) Decrease in accounts and other receivables	(2,553)	435	253	5,743
(Increase) Decrease in customer assessments receivable	3	-	-	-
(Increase) Decrease in inventories	(422)	74	64	(34)
(Increase) Decrease in other assets	-	-	-	-
(Increase) Decrease in prepaid escrow	7,602	-	-	-
(Increase) Decrease in due from other governments	-	(1)	-	13
(Increase) Decrease in due from other funds	-	-	-	-
(Increase) Decrease in deferred outflows for other postemployment benefits	(581)	(45)	(111)	(206)
(Increase) Decrease in deferred outflows for pension contributions	104,608	7,512	15,259	33,717
Increase (Decrease) in accounts payable	(3,911)	(359)	(5,350)	1,306
Increase (Decrease) in accrued payroll	(3)	(2)	18	20
Increase (Decrease) in due to other funds	-	-	-	(157)
Increase (Decrease) in compensated absences	(10)	22	(54)	(1)
Increase (Decrease) in allowance for uncollectibles	1,445	(91)	24	359
Increase (Decrease) in unearned revenue	-	-	1,249	(740)
Increase (Decrease) in customer deposits	435	453	-	110
Increase (Decrease) in other postemployment benefits	(836)	(65)	(160)	(297)
Increase (Decrease) in customer construction advances	2,309	-	-	-
Increase (Decrease) in estimated unpaid health claims	-	-	-	-
Increase (Decrease) in estimated unpaid claims - general	-	-	-	-
Increase (Decrease) in workers' compensation	-	-	-	-
Increase (Decrease) in landfill liability	-	-	-	1,285
Increase (Decrease) in net pension liability	(32,456)	(2,648)	(5,279)	(10,721)
Increase (Decrease) in other liabilities	-	-	483	-
Increase (Decrease) in deferred inflows for other postemployment benefits	2,286	178	438	810
Increase (Decrease) in deferred inflows for pension contributions	(49,910)	(3,033)	(6,460)	(15,696)
Total adjustments	<u>151,321</u>	<u>20,637</u>	<u>32,895</u>	<u>20,694</u>
Net cash provided by (used in) operating activities	<u>373,289</u>	<u>(29,680)</u>	<u>53,676</u>	<u>33,547</u>
Current Assets:				
Pooled cash and cash equivalents	\$ 221,144	\$ 98,210	\$ 55,050	\$ 36,715
Pooled cash and cash equivalents for current debt service	146,313	4,025	-	-
Held for construction purposes	51,314	3,569	-	-
Customer deposits pooled cash and cash equivalents	17,849	-	-	1,076
Non-current Assets:				
Cash and cash equivalents				
Held by escrow agent	71,215	-	-	-
Held for construction purposes	-	-	2,749	-
For future debt service	19,125	935	12,522	-
For emergency repairs and replacements	-	-	5,000	-
For operation and maintenance expenses	-	-	13,301	-
For passenger facility charges	-	-	67,121	-
Total cash and cash equivalents end of year	<u>\$ 526,960</u>	<u>\$ 106,739</u>	<u>\$ 155,743</u>	<u>\$ 37,791</u>
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 32,805	\$ -	\$ 777	\$ 104
Prepaid escrow	23,204	-	-	-
Inception of capital lease	-	-	-	-
Change in fair value of non-pooled investments	(330)	-	-	-
Premium/discount amortization	7,638	349	2,726	320
Accretion on capital appreciation bonds	842	61	79	275
Amortization of deferred gain/loss on refunding	8,512	848	3	10

Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
\$ (1,126)	\$ 204,159	\$ (168,442)

101	179,327	3,414
		-
327	4,205	1,188
-	3	-
-	(318)	(27)
-	-	2,025
-	7,602	-
-	12	-
-	-	-
(111)	(1,054)	(205)
22,082	183,178	39,648
540	(7,774)	(1,414)
4	37	14
-	(157)	-
(43)	(86)	151
-	1,737	-
780	1,289	-
-	998	-
(161)	(1,519)	(292)
-	2,309	-
-	-	495
-	-	110,249
-	-	887
-	1,285	-
(7,200)	(58,304)	(12,804)
557	1,040	702
439	4,151	807
(10,003)	(85,102)	(18,169)
7,312	232,859	126,669
6,186	437,018	(41,773)

\$ 59,775	\$ 470,894	\$ 96,141
-	150,338	-
-	54,883	-
-	18,925	-
-	71,215	-
-	2,749	-
-	32,582	-
-	5,000	-
-	13,301	-
-	67,121	-
\$ 59,775	\$ 887,008	\$ 96,141

\$ 31	\$ 33,717	-
-	23,204	-
-	-	-
-	(330)	-
123	11,156	-
154	1,411	-
6	9,379	-

CITY OF DALLAS, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
September 30, 2018
(in thousands)

	Agency Funds	Pension Trust Funds (1)
Assets		
Pooled cash and cash equivalents	\$ 1,032	\$ -
Cash and cash equivalents	-	236,055
Invested securities lending collateral	-	300,718
Receivables:		
Accounts	31	500,691
Accrued interest	10	16,444
Short-term investments	-	24,133
Equity securities	-	470,081
Domestic equities	-	1,377,442
U.S. and foreign government fixed income securities	-	538,127
Domestic corporate fixed income	-	720,300
International equities and fixed income	-	508,457
Commingled index funds	-	163,761
Real assets	-	801,206
Private equities and venture capital funds	-	735,056
Alternative investments	-	144,927
Forward currency contracts	-	135
Prepaid expenses	-	435
Other assets	200	-
Capital assets, net	-	12,715
Total assets	1,273	6,550,683
Liabilities		
Accounts payable	1,025	11,052
Payable for securities purchased	-	44,726
Securities lending obligation	-	300,718
Other liabilities	248	460,777
Total liabilities	1,273	817,273
Net Position		
Net investment in capital assets	-	12,715
Restricted for pensions	-	5,720,695
Total net position	\$ -	\$ 5,733,410

(1) Information presented for the pension trust funds is as of December 31, 2017.

CITY OF DALLAS, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the Year Ended September 30, 2018
(in thousands)

	<u>Pension Trust Funds (1)</u>
Additions:	
Contributions:	
Employer	\$ 187,361
Employee	88,218
Total contributions	<u>275,579</u>
Net investment income:	
Interest and dividends	133,155
Net appreciation in fair value of investments	401,913
Securities lending income	2,072
Less investment expenses:	
Investment management fees	(25,085)
Custody fees	(140)
Consultant fees	(385)
Securities lending management fees	(463)
Total investment expenses	<u>(26,073)</u>
Net investment gain	511,067
Other income	<u>2,301</u>
Total increases	<u>788,947</u>
Deductions:	
Benefit payments	548,779
Refund of contributions	11,733
Interest expense	1,291
Administrative expenses	14,109
Total deductions	<u>575,912</u>
Change in net position	213,035
Net position	
Beginning of year	<u>5,520,375</u>
End of year	<u>\$ 5,733,410</u>

(1) Information presented for the pension trust funds is for the year ended December 31, 2017.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies

A. General

The City of Dallas, Texas (“the City”) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the city and its inhabitants.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as 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. Unless otherwise indicated, amounts are presented in thousands (000’s). The more significant accounting and reporting policies and practices used by the City are described below.

B. Reporting Entity

The accompanying basic financial statements present the City and its component units, entities for which the government is considered to be financially accountable. The criteria considered in determining activities to be reported within the City’s basic financial statements include whether:

- the organization is legally separate (can sue and be sued in their own name);
- the City appoints a voting majority of the organization’s board;
- the City is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the City; and
- there is fiscal dependency by the organization on the City.

The City’s municipal services, which include public safety (police and fire), environmental and health services, code enforcement, streets, public works, and transportation, equipment and building, culture and recreation, housing and human services, and general administrative services, are included in the accompanying basic financial statements.

In addition, the City owns and operates certain enterprise funds including water utilities, convention services, airport, sanitation, and other enterprise activities that are also included in the accompanying basic financial statements.

Blended Component Units

Blended component units, although legally separate entities, are included as part of the primary government because they meet the above criteria as well as serve or benefit the City exclusively. Thus, blended component units are appropriately presented as funds of the primary government. The information reported for the pension trust funds and the Trinity River Corridor Local Government Corporation is as of December 31, 2017 and the Love Field Airport Modernization Corporation (LFAMC) is as of September 30, 2018.

- Pension Trust Funds – The Pension Trust Funds have a December 31 year-end. The primary functions of the pension entities are investment and benefit management activities. Each board has contracted with various investment managers and banks for management of the portfolios of the plans. The City contributes on behalf of its employees to three defined benefit pension plans administered by two legally separate entities: the Employees’ Retirement Fund of the City of Dallas, at 1920 McKinney Avenue, 10th Floor, Dallas, TX 75201; and Dallas Police and Fire Pension System, at 4100 Harry Hines Boulevard, Ste. 100, Dallas, TX 75219. Complete financial statements of each plan may be obtained at the administrative offices.
- Love Field Airport Modernization Corporation (LFAMC) – The City created the LFAMC, a Texas nonprofit local government corporation organized under Subchapter D of Chapter 431 of the Texas Transportation Code. The Corporation was formed to serve as a conduit financing entity for the purpose of issuing bonds to promote the development of the geographic area of the city included at or in the vicinity of Love Field Airport to promote, develop, and maintain the employment, commerce, aviation activity, tourism, and economic development in the City.
- Trinity River Corridor Local Government Corporation – The Corporation was organized for aiding, assisting, and acting on behalf of the City in the performance of its governmental functions; namely, the design, planning, development, financing, operation, and maintenance of public recreation uses of City fee-owned property located in a portion of the Trinity River Corridor.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

Discretely Presented Component Units – The following legally separate entities are reported as discretely presented component units of the City because the City appoints a voting majority of the boards, approves budgets, and maintains the ability to impose its will on the entities. The discretely presented component units of the governmental activities and the business-type activities are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government. The information reported for the Dallas Convention Center Hotel Development Corporation and the Housing Finance Corporation is as of December 31, 2017, and all others are as of September 30, 2018.

- Housing Finance Corporation – organized to issue tax-exempt mortgage revenue bonds to encourage opportunities for single-family residential home ownership among low to moderate-income citizens.
- Housing Acquisition and Development Corporation – organized solely and exclusively for the public purpose of providing safe, affordable housing facilities for low and moderate-income persons.
- Dallas Development Fund – organized to assist in carrying out the economic development program and objectives of the City by generating private investment capital through the New Markets Tax Credit Program to be made available for investment in low-income communities.
- Downtown Dallas Development Authority – The primary function of the Downtown Dallas Development Authority (DDDA) is to increase the property tax base in the downtown area of the city. The DDDA operates in a manner similar to other tax increment financing zones of the City but has a separate board. Its primary purpose is to issue revenue bonds to finance major improvements by developers.
- North Oak Cliff Municipal Management District – organized to promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation and the arts, entertainment, economic development, safety, the public welfare in the District, and educational scholarships for college-bound students residing in or out of the District.
- Cypress Waters Municipal Management District – organized to promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation and the arts, entertainment, economic development, safety, and the public welfare in the District.
- Dallas Convention Center Hotel Development Corporation – organized to promote the development of the geographic area of the city included at or in the vicinity of the Dallas Convention Center, in furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, convention and meeting activity, tourism, and economic development in the city, including specifically, without limitation, the development and financing of a convention center hotel which is located within 1,000 feet of the Dallas Convention Center.

Entity financial statements are available for all of the above entities by contacting the City Controller's Office, 1500 Marilla, Room 2BS, Dallas, TX 75201.

Related Organizations

City officials are also responsible for appointing members to the boards of the following organizations, but the City's accountability for the organization does not extend beyond making appointment.

The Dallas/Fort Worth International Airport (DFW Airport) is jointly governed by the cities of Dallas and Fort Worth. The Cities approve the Airport's annual budget and all bond sales but have no responsibility for the DFW Airport's debt service requirements. DFW Airport is governed by a 12-member board (Board) comprised of seven members representing the City of Dallas, four members representing the City of Fort Worth, and on an annual basis, one non-voting member from the neighboring cities of Irving, Grapevine, Euless and Coppell. Members of the Board are appointed by the respective city councils. The Board is a semi-autonomous body charged with governing the DFW Airport and may enter into contracts without approval of the city councils.

The Dallas Housing Authority (Authority) is an independent organization, which has a scope of public service within the geographic boundaries of the city. Under Texas State Statutes, the responsibility for the administration and operations of the Authority is vested solely with the Authority's Board of Commissioners. The Authority is dependent on Federal funds from the Department of Housing and Urban Development and, as a result, is not financially dependent on the City. In addition, the City is not responsible for any deficits incurred and has no fiscal management control. The governing body of the Authority is its Board of Commissioners, composed of five members appointed by the Mayor of the City of Dallas. The Authority is not considered a component unit of the City, as defined by GASB since the City is not financially accountable for the operations of the Authority, has no responsibility to fund deficits or receive surpluses, and has not guaranteed the Authority's debt.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

The Dallas Area Rapid Transit (DART) is a regional transportation authority under Chapter 452 of the Texas Transportation Code and is controlled by a 15-member board. The Dallas City Council appoints seven members and participating suburban city councils appoint eight board members. Its purpose is to provide transportation services in the DART service area. The voters in the DART service area approved a one percent sales tax to fund the authority annually. DART is not fiscally dependent on the City.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government and its non-fiduciary component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment.

Taxes and other items are reported as general revenues, rather than as program revenues.

Separate fund level financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. The agency fund financial statements have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows; however, agency funds report only assets and liabilities and have no measurement focus.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues received within 60 days of year-end to be available, in accordance with the City's accounting policy, except as noted in the paragraph below.

Revenues susceptible to accrual include ad valorem taxes, sales tax, ambulance fees, parking fines, franchise fees, and interest. In applying the susceptible to accrual concept to Federal and State grants, revenues are recognized when applicable eligibility requirements, including time requirements, are met. The grant revenues and developer and intergovernmental contributions availability period is considered to be one year. All other revenue items are considered to be measurable and available only when the City receives the cash as the resulting net receivables are deemed immaterial, such as court fines and fees.

Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, rebatable arbitrage, claims and judgments, other postemployment benefits, and pollution remediation are recorded only when matured and payment is due.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

The City reports the following major governmental funds:

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

The City reports the following non-major governmental funds:

The Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The Permanent Funds are used to account for private endowments whereby interest earnings are restricted in accordance with the endowment terms.

Proprietary Funds and Pension Trust Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income, change in net position, financial position, and cash flow. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position.

The City reports the following major proprietary funds:

The Dallas Water Utilities Fund accounts for water and wastewater services for Dallas, area customer cities, and governmental entities. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The Convention Center Fund accounts for convention and event services for the Dallas Convention Center. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The Airport Revenues Fund accounts for the Dallas Airports System, which includes airport services and administration of Dallas Love Field, Executive Airport, and the Heliport. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service. DFW airport activity is not included in the financial statements.

The Sanitation Fund accounts for solid waste collection and disposal services for residential and commercial customers in Dallas. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The City reports the following non-major proprietary funds:

The non-major proprietary funds consist of Enterprise Funds, which are used to account for operations, other than the major proprietary funds listed above, and are operated in a manner similar to private business enterprises. Non-major Enterprise Funds include the operation of the municipal radio station and building inspections.

Additionally, the City reports the following funds:

The Internal Service Funds are used to allocate associated costs of centralized services on a cost-reimbursement basis. The services provided to other City departments are vehicles, vehicle maintenance, fuel and lubrication, communication services, data processing and programming services, office supplies, printing, copying and mailing services, and risk financing, including insurance-related activities.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

The Pension Trust Fund accounts for the activities of the Employees' Retirement System, Police and Fire Pension System, and Supplemental Police and Fire Pension Plan. The three contributory defined benefit plans are used to accumulate resources for pension benefits payments to qualified employees.

The Agency Funds are used to account for assets held by the City, as an agent for individuals (cash escrow, confiscated money, and deferred compensation fund), and other funds for assets held by the City, in a trustee capacity (tax distribution, employee benefits, and the Dallas Tourism Public Improvement District deposit account).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes (PILOT) and other charges between the Dallas Water Utilities Fund and various other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

Operating revenues of the City's enterprise funds are charges to customers for sales and services, charges to other City departments, services to others, intergovernmental revenue, and other revenues. Operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in pooled cash as well as short-term investments with the exception of the Pension Trust Funds (which consider short-term investments as regular investments). Investment income on the pooled investments is prorated monthly based upon the average daily cash balance in each fund.

Investments in U.S. government obligations are recorded at fair value based on observable inputs; investments in money market funds and hedge funds are measured at Net Asset Value (NAV); local government investment pools are measured at amortized cost. Other investments, except hedge funds, held in trusts for various permanent funds are recorded at fair value based on quoted market prices. Pension investments are recorded at fair value based on quoted market values, when available. The amounts recorded in the Pension Trust Funds for real estate funds and venture capital funds represent estimated fair values based upon appraised values or other comparable methods. The Commingled Index Funds estimated fair values are based upon audited financial statements.

F. Property Taxes

The City's property tax is levied each October 1 on the assessed value as of the previous January 1 for all real and income-producing (or business personal) property. Appraised values are established by the Dallas, Denton, Collin, and Rockwall Central Appraisal Districts equal to 100 percent of appraised market value as required under the State Property Tax Code. The value of real property within the Appraisal District must be reviewed every three years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. The City establishes tax rates on property within its jurisdiction. If the adopted tax rate, excluding tax rates for bonds and other contractual obligations, exceeds the effective tax rate by more than eight percent, qualified voters of the city may petition for an election to determine whether to limit the tax rate increase to no more than eight percent above the effective tax rate. Property taxes attach as an enforceable lien on property as of January 1 of the subsequent year.

Taxes are due October 1. Full payment can be made prior to the following January 31 to avoid penalty and interest charges. Current tax collections for the year ended September 30, 2018 were 97.78 percent of the tax levy. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per one hundred dollars of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The tax rate for fiscal year 2018 was \$0.7804 per \$100 dollars of assessed valuation, \$0.5580 for general governmental services and \$0.2224 for the payment of principal and interest on general obligation long-term debt.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

G. Federal and State Grants and Entitlements

Grants and entitlements received for purposes normally financed through the general government are accounted for within the Special Revenue Funds. Grants and similar items are recognized as revenue as soon as all applicable eligibility requirements, excluding time requirements, have been met. Amounts received before time requirements are met, but after all other eligibility requirements have been met are reported as a deferred inflow of resources. Amounts received before eligibility requirements have been met are reported as unearned revenue.

H. Inventories

Inventory is valued at average cost. Inventory for all funds generally consists of expendable supplies held for consumption and are recorded as expenditures (or expenses) when consumed.

I. Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond September 30, 2018. Prepaid items are recorded using the consumption method.

J. Restricted Assets

Proceeds of Enterprise Fund revenue bonds, commercial paper notes, and other financing arrangements, as well as resources set aside for revenue bond repayment, are classified as restricted assets on the statement of net position when their use is limited by applicable covenants. The Capital Project Funds record proceeds of debt issuances restricted for construction. The current Debt Service Funds are used to segregate resources accumulated for debt service payments over the next 12 months.

The assets restricted for revenue bond future debt service are used to report resources set aside to fulfill revenue bond debt reserve requirements. Other restricted assets include funds restricted for construction from revenue bond proceeds, contractual obligation debt service funds, unspent grant proceeds, escrow deposits, and customer deposits. Assets restricted for a specific purpose are utilized before the use of unrestricted assets to pay related obligations when authorized to do so.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (examples include streets and bridges), are reported in the applicable governmental or business-type activities columns, in both the government-wide and proprietary fund level statement of net position. Generally, equipment with an individual cost of at least \$5 thousand, infrastructure with a cost of at least \$25 thousand, and buildings with a cost of at least \$50 thousand and an estimated useful life of more than one year, are capitalized. Purchased or constructed capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Assets acquired by donation are recorded at acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital asset additions and improvements are capitalized as projects are constructed.

Depreciation, which includes amortization of assets under capital leases, is computed using the straight-line method over the estimated useful or service lives of the related assets beginning on the date of acquisition or the date placed in service.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

The estimated useful lives of the primary government's capital assets are as follows:

	Useful Life	
	Governmental Activities	Business-type Activities
Infrastructure	10-50 years	50-100 years
Reservoirs and water rights	N/A	100 years
Buildings	10-50 years	10-50 years
Improvements other than buildings	10-50 years	10-100 years
Equipment	3-20 years	3-25 years
Utility property	N/A	33-75 years

Artwork is capitalized but not depreciated. These assets are maintained for public exhibition, education, or research and are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other items for the collection.

L. Compensated Absences

The City's employees earn vacation, sick, and attendance incentive leave which may be used or accumulated up to certain amounts. Unused vacation and attendance incentive leave is paid upon death, retirement, or termination. Unused sick leave is reduced to a specified limit when paid upon retirement, certain terminations, or death.

In accordance with the criteria established in the Codification of Governmental Accounting Standards, Section C60, "Compensated Absences," a liability is recorded for vacation leave earned by employees attributable to past service and sick leave earned by employees attributable to past service only to the extent it is probable that such leave will result in termination pay. In addition, a liability has been recorded for certain salary related payments associated with the payment of accrued vacation and sick leave.

In the government-wide and proprietary fund statements of net position, all compensated absence liabilities incurred are recorded as liabilities. However, a liability is recorded in the governmental funds balance sheet only if they have matured and are due as a result of employee resignations, retirements, or termination.

M. Risk Management

The City is self-funded for workers' compensation, employee health insurance, most property damage, and the majority of tort liability exposures. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. Indemnity and insurance protection are also required for all City contractors, vendors, lessees, and permit holders. Claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred, and the amount of loss can be reasonably estimated. The recorded estimated liability for claims and judgments includes a provision for Incurred but Not Reported (IBNR) liabilities for workers' compensation, tort cases, and employee health insurance.

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

N. Deferred Outflows/Inflows of Resources

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – The pension contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year.
- Net difference in projected and actual earnings on pension assets and difference between estimated and actual experience related to pensions – These are amortized as a component of pension expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.
- Difference between estimated and actual experience related to other postemployment benefits (OPEB) - These are amortized as a component of OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.
- Changes in assumptions related to pensions and OPEB – These are amortized as a component of pension and OPEB expense over a closed period of five years.

In addition to liabilities, the balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify in this category. The first item arises only under the modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow is reclassified to revenue on the government-wide financial statements. The second and third items qualify as deferred inflows of resources related to pensions and OPEB. A deferred inflow is recorded in the government-wide statement of net position and fund level financials for the proprietary statements of net position for the difference in expected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The differences are amortized over the average remaining service life of all participants in the respective pension and OPEB plans and recorded as a component of pension expense beginning with the period in which they are incurred. Also, changes in assumptions are amortized as a component of pension and OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and benefits through the pension and OPEB plans (active employees and inactive employees) determined as of the beginning of the measurement period. The Dallas Convention Center Hotel Development Corporation discretely presented component unit also reports a deferred inflow as a result of the advance for the Build America Bonds rebate.

O. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements of net position.

General obligation bonds are issued to fund capital projects of both the general government and certain proprietary funds, and are to be repaid from tax revenues of the City. Accreted interest on capital appreciation bonds is reflected as interest expense in the governmental activities statement of activities and as an addition to non-current liabilities in the statement of net position.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

P. Bond Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs, except any portion related to prepaid insurance costs (if applicable), are recognized as an expense in the period incurred.

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

Q. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund level balance sheets/statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Short-term and long-term interfund loans are classified as notes receivable or payable from other funds with an interest rate of 4.25 to 5.44 percent.

R. Transactions Between Funds

Transactions between funds, which would have been treated as revenues, expenditures, or expenses if they involved organizations external to the government unit, are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund reimbursed. All other nonreciprocal transactions between funds which are not reimbursements and where the funds do not receive equivalent goods or services for the transaction are classified as transfers.

S. Deferred Compensation Plan

There are three deferred compensation plans. Two of these plans are voluntary for City employees who participate in the City's pension plans. The third plan is mandatory for all employees and council members who are not covered by the City's pension plans. These plans comply with sections 401(k) and 457(b) of the Internal Revenue Code.

Participants in the City's voluntary 457 and 401(k) plans have full discretion to choose investments from a list of standard plan options, a linked brokerage account, and a commingled pool managed by Fidelity Management Trust Company. The list of standard plan options includes mutual funds with varying styles and levels of investment risk. All the account balances in the mandatory 457 plan are invested in the same commingled pool. All contributions to these plans are deferred by plan participants from their compensation and all the earnings are allocated to each participant's account. Distributions from all the deferred compensation plans are available after termination of employment. Additionally, participants in the City's voluntary plans may also take out loans and may receive hardship withdrawals in accordance with federal regulations. The assets held in these plans are not included in the City's financial statements and cannot be used for purposes other than the exclusive benefit of the participants or their beneficiaries or to pay the reasonable expenses of plan administration.

T. Net Position

In the government-wide and proprietary funds financial statements, the net position is reported in three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. Net investment in capital assets represents the City's total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal. The City is subject to the State of Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) in relation to endowment funds.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

The Risk Fund has a deficit net position of \$213.2 million associated with the City's self-insured workers' compensation, auto, and general liability activities. The deficit results from the recognition of certain liabilities that will be paid in future periods. The City expects to issue general obligation bonds to fund \$173.3 million of the deficit related to a legal settlement reported in the general liability activities. The remaining liabilities will be funded in the fiscal year in which they will be paid through annual budget appropriations. The City's approach for addressing this deficit is consistent with the budgetary basis of accounting for all funds as indicated in Note 2.B. The Sanitation, Municipal Radio, Building Inspection, Equipment Services, Communication Equipment Services, and Information Systems funds had deficit net positions of \$100.7 million, \$2.7 million, \$19.3 million, \$17.9 million, \$1.3 million, and \$6.2 million, respectively, due to the recognition of the net pension liability and the other postemployment benefit liability. The City's approach for addressing this deficit is to enhance revenues and to employ cost reduction measures.

U. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers pooled cash and all highly liquid debt instruments purchased with an original maturity of three months or less or that have general characteristics of demand deposits in that additional funds may be deposited or withdrawn at any time without prior notice or penalty to be cash equivalents.

V. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

W. New Accounting Pronouncements

During fiscal year 2018, the City adopted the following Governmental Accounting Standard Board (GASB) Statements:

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," was implemented as required by GASB during the fiscal year ended September 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended," and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB." Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," establishes new accounting and financial reporting requirements for OPEB plans. The implementation of GASB Statement No.75 resulted in a restatement of the City's net position at September 30, 2017 for the recording of the beginning total OPEB liability. The following tables reflect the net effect of the restatement on the prior year statement of net position.

	Governmental Activities (Net of Internal Service Funds)	Internal Service Funds	Total Governmental Activities
	<u> </u>	<u> </u>	<u> </u>
Net Position at 9/30/17, as previously reported	\$ (3,731,472)	\$ (115,656)	\$ (3,847,128)
Prior Other Postemployment Benefit Liability under GASB 45	200,468	10,241	210,709
Restated Other Postemployment Benefit Liability under GASB 75	(393,591)	(20,108)	(413,699)
Net Position at 9/30/17, restated	<u>\$ (3,924,595)</u>	<u>\$ (125,523)</u>	<u>\$ (4,050,118)</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

	Dallas Water Utilities	Convention Center	Airport Revenues	Sanitation
Net Position at 9/30/17, as previously reported	\$ 2,591,821	\$ 261,549	\$ 569,283	\$ (88,219)
Prior Other Postemployment Benefit Liability under GASB 45	30,327	2,339	5,058	10,264
Restated Other Postemployment Benefit Liability under GASB 75	<u>(59,543)</u>	<u>(4,593)</u>	<u>(9,931)</u>	<u>(20,152)</u>
Net Position at 9/30/17, restated	<u>\$ 2,562,605</u>	<u>\$ 259,295</u>	<u>\$ 564,410</u>	<u>\$ (98,107)</u>

	Nonmajor Enterprise Funds	Total Enterprise Funds	Total Primary Government
Net Position at 9/30/17, as previously reported	\$ (14,992)	\$ 3,319,442	\$ (527,686)
Prior Other Postemployment Benefit Liability under GASB 45	5,543	53,531	264,240
Restated Other Postemployment Benefit Liability under GASB 75	<u>(10,883)</u>	<u>(105,102)</u>	<u>(518,801)</u>
Net Position at 9/30/17, restated	<u>\$ (20,332)</u>	<u>\$ 3,267,871</u>	<u>\$ (782,247)</u>

GASB Statement No. 81, "Irrevocable Split-Interest Agreements," was implemented by the City as required by GASB during fiscal year ended September 30, 2018. 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. The City did not have any irrevocable split-interest agreements for the year ended September 30, 2018, so the implementation of GASB Statement No. 81 did not result in any changes to the financial statements.

GASB Statement No. 85, "Omnibus 2017," was implemented as required by GASB during the fiscal year ended September 30, 2018. This Statement addresses several different accounting and financial reporting issues identified by GASB during the implementation and application of certain GASB pronouncements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 86, "Certain Debt Extinguishment Issues," was implemented as required by GASB during the fiscal year ending September 30, 2018. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished, and notes to the financial statements for debt that is defeased in-substance. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," was implemented early for the fiscal year ended September 30, 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will be expensed and will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 83, "Certain Asset Retirement Obligations," will be implemented as required by GASB during the fiscal year ending September 30, 2019. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 84, "Fiduciary Activities," will be implemented as required by GASB during the fiscal year ending September 30, 2020. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 87, "Leases," will be implemented as required by GASB during the fiscal year ending September 30, 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. The City is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements," will be implemented as required by GASB during the fiscal year ending September 30, 2019. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

GASB Statement No. 90, "Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61," will be implemented as required by GASB during the fiscal year ending September 30, 2020. The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments: or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The City is currently evaluating potential changes to the financial statements as a result of implementation of this Statement.

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 2. Stewardship, Compliance, and Accountability

A. Legal Compliance – Budgets

The City Council adheres to the following procedures in establishing the budgets reflected in the accompanying financial statements.

- 1) By the fifteenth day of August each year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayers' comments.
- 3) Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
- 4) The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. The legal level of budgetary control is the department level.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund and Debt Service Fund. Formal budgetary integration is employed as a management control device in the capital project funds for the life of the projects.
- 6) Annual budgets are legally adopted for the General Fund, Debt Service Fund, and proprietary funds. Certain differences exist between the basis of accounting used for budgetary purposes and that used for financial reporting in accordance with GAAP. Budgets for the capital project funds are normally established pursuant to the terms of the related bond ordinances on a project basis.

B. Budgets and Budgetary Basis of Accounting

The City prepares its annual appropriated General Fund, Debt Service Fund, and proprietary operating funds' budgets on the budget basis which differs from the GAAP basis. The budget and all transactions of the general fund are presented in accordance with the City's budget basis in the general fund statement of revenues, expenditures, and changes in fund balances – non-GAAP budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis are attributable to the elimination of certain revenues and expenditures budgeted on a non-annual basis and the fact that encumbrances are recorded as the equivalent of expenditures (budget) rather than fund balance (GAAP) in the governmental funds. Adjustments necessary to convert the excess of revenues and other financing sources over expenditures and other uses on the budget basis to a GAAP basis for the General Fund are provided below:

Excess of revenues and other financing sources over expenditures and other uses--budgetary basis	\$ 29,591
Change in fair value of investments	(440)
Change in encumbrances	(14,389)
Funds not included in general fund budget	66,153
Revenue recognized for GAAP basis but not budgetary basis	176
Other items budgeted on a non-GAAP basis	(60,001)
Excess of revenues and other financing sources over expenditures and other financing uses--GAAP basis	\$ 21,090

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to assign that portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year-end except for that portion related to encumbered amounts. For the General Fund, outstanding encumbrances are reported as assigned fund balances. These balances do not constitute expenditures or liabilities for GAAP purposes since the goods and services have not been received.

Encumbrances outstanding at year-end are carried forward to the new fiscal year. Such encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, the accompanying financial statements present comparisons of actual results to budget of governmental funds on the budget basis of accounting.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 2. Stewardship, Compliance, and Accountability (continued)

Nature and Purpose of Classifications of Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provision or enabling legislation. Fund balance should be reported as committed when amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Fund balance should be reported as assigned for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance is the residual classification for the General Fund and includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Council is the City's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the City Council. This can also be done through adoption or amendment of the budget. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

The City Council has authorized the City Manager as the official authorized to assign fund balance up to \$50 to \$70 thousand per transaction, depending on the type of goods or services by administrative action, pursuant to Section 2-30 of the City Code. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will start with the most restricted category and spend those funds first before the next category with available funds.

It is the desire of the City to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain an unassigned General Fund balance, which includes the Emergency and Contingency Reserves, at a level not less than 30 days of the General Fund operating expenditures, less debt service.

The table on the following page presents additional detail of fund balances as of September 30, 2018.

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 2. Stewardship, Compliance, and Accountability (continued)

	General	Debt Service	Non-major Governmental Funds	Total
Fund balances				
Nonspendable				
Inventory	\$ 11,227	\$ -	\$ -	\$ 11,227
Permanent fund principal	-	-	10,102	10,102
Total nonspendable	11,227	-	10,102	21,329
Restricted for				
9 -1 -1	10,244		-	10,244
Debt service	-	28,907	-	28,907
Culture and recreation:				
Culture and recreation services	-	-	21,863	21,863
Library facilities	-	-	5,082	5,082
Parks and recreation facilities	-	-	19,400	19,400
Culture and arts facilities	-	-	3,346	3,346
Public safety:				
Police services	-	-	11,886	11,886
Homeland security	-	-	401	401
Fire station facilities	-	-	129	129
Police headquarters and safety facilities	-	-	6,324	6,324
Community development	-	-	12,931	12,931
Health and human services	-	-	40	40
Public-private partnerships	-	-	37,683	37,683
Municipal court technology	-	-	3,290	3,290
Public television cable system	-	-	8,347	8,347
Grants and other purposes	-	-	9,649	9,649
Storm water operations	-	-	51,136	51,136
Streets and transportation:				
Repairs	-	-	13,608	13,608
Improvements	-	-	137,357	137,357
Flood protection	-	-	308,115	308,115
Trinity River project	-	-	73,153	73,153
Capital reserve and assessments	-	-	18,580	18,580
Long-term note receivable	-	-	4,161	4,161
Neighborhood projects:				
Tax increment financing	-	-	67,893	67,893
Economic development incentives	-	-	33,143	33,143
City-wide capital improvements	-	-	16,441	16,441
Farmers' Market improvements	-	-	431	431
City animal shelter facilities	-	-	130	130
Municipal court facilities	-	-	532	532
Homeless facilities	-	-	88	88
Public improvement district services	-	-	111	111
Total restricted	10,244	28,907	865,250	904,401
Committed to				
Risk reserve	1,250	-	-	1,250
Culture and recreation services	-	-	22,642	22,642
Total committed	1,250	-	22,642	23,892
Assigned to				
Code enforcement services	869	-	-	869
Communication and information technology services	801	-	-	801
Community development services	216	-	-	216
Cultural affairs services	394	-	-	394
Fire safety services	667	-	-	667
Library services	186	-	-	186
Municipal court services	39	-	-	39
Parks and recreation services	1,334	-	-	1,334
Police safety services	1,659	-	-	1,659
Streets, public works and transportation maintenance	7,041	-	-	7,041
General government services	7,521	-	-	7,521
Total assigned	20,727	-	-	20,727
Unassigned	212,806	-	-	212,806
Total fund balance	<u>\$ 256,254</u>	<u>\$ 28,907</u>	<u>\$ 897,994</u>	<u>\$ 1,183,155</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 3. Joint Ventures

Dallas/Fort Worth International Airport (DFW Airport)

DFW Airport is owned jointly by the cities of Dallas and Fort Worth and operated by a 12-member board comprised of seven members from Dallas and four members from Fort Worth appointed by the respective City Councils. One additional non-voting member is appointed from the neighboring cities of Irving, Grapevine, Euless, and Coppell on a rotating basis.

Joint Revenue Bonds were previously issued to construct DFW Airport. Additional bonds have been issued for the purpose of improving, constructing, replacing, or otherwise extending DFW. Revenues derived from the ownership and operations of the Airport are pledged to meet debt service requirements of the bonds issued pursuant to the Controlling Ordinances. The Controlling Ordinances require DFW to annually adopt a schedule of charges that is: (1) reasonably estimated to produce gross revenues in an amount at least sufficient to pay operation and maintenance expense plus 1.25 times accrued aggregate debt service; and (2) reasonably estimated to at least produce current gross revenues in an amount at least sufficient to pay operation and maintenance expense plus 1.00 times accrued aggregate debt service.

The outstanding debt and related debt service are accounted for by the DFW Airport Board. The Joint Revenue Bonds outstanding at September 30, 2018 were \$6.7 billion which is net of unamortized discount/premium.

The summary financial information for DFW Airport as of September 30, 2018 is presented below and is not included in the City's financial statements.

Total assets and deferred outflows of resources	\$	7,597,492
Less: Total liabilities and deferred inflows of resources		(7,258,042)
Total net position	\$	339,450
Operating revenues	\$	929,437
Less: Operating expenses		(815,922)
Less: Non-operating revenues (expenses)		(99,490)
Plus: Capital contributions		40,631
Change in net position		54,656
Net position, beginning of year as previously stated		293,650
Restatement - Change in accounting principle		(8,856)
Net position, beginning of year, restated		284,794
Net position, end of year	\$	339,450

To obtain the financial statements of the joint venture, contact the finance department of DFW Airport at (972) 973-5443.

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 4. Tax Abatements

As of September 30, 2018, the City provides tax abatements through three programs: the Historic Preservation Program, the Public Private Partnership Program, and the Tax Increment Financing Program. The table below describes each of these programs:

Tax Abatement Programs Administered by the City of Dallas			
<i>Tax Abatement Disclosure as required by Statement No. 77 of the Government Accounting Standards Board</i>	Historic Preservation Program	Public Private Partnership Program (PPP Program)	Tax Increment Financing Program (TIF Program)
1. Purpose of program	To encourage economic development through the revitalization and preservation of the City's historic properties, including residential properties, and to assist in accomplishing the following goals: revitalize older neighborhoods to build and capture a stable tax base; support private sector investment in historic properties; encourage home ownership; promote pedestrian oriented, ground floor retail in the urban historic districts; support new uses for vacant and deteriorated historic buildings; and encourage low and moderate income families to invest in historic districts.	To stimulate private investment and job creation.	To promote development or redevelopment in the City. The City reinvests a portion of property tax revenues generated from new real estate development into the area to encourage the implementation of redevelopment plans.
2. Tax being abated	City of Dallas real property tax.	Real and/or business personal property, retail sales taxes, and hotel occupancy tax.	City of Dallas real property tax.
3. Authority for abatement agreements	Dallas City Code, Article XI, "Historic Preservation Tax Exemptions and Economic Development Incentives for Historic Properties."	Texas Tax Code Chapter 312, "Property Redevelopment and Tax Abatement Act" and Texas Tax Code Chapter 380, "Miscellaneous Provisions Relating to Municipal Planning and Development."	Texas Tax Code Chapter 311, "Tax Increment Financing Act."

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 4. Tax Abatements (continued)

Tax Abatement Programs Administered by the City of Dallas			
<i>Tax Abatement Disclosure as required by Statement No. 77 of the Government Accounting Standards Board</i>	Historic Preservation Program	Public Private Partnership Program (PPP Program)	Tax Increment Financing Program (TIF Program)
4. Criteria for abatement eligibility	To be eligible for the program, the building must be a contributing structure within any City historic district. It must be designated as a City of Dallas historic district or an individual historic district. The type of abatement available depends on how much is invested in rehabilitation and where the property is located. Abatements are obtained through application by the property owner prior to commencing the improvements and require subsequent provision by the owner for proof that the improvements have been made.	The P/PP Program is intended to provide City support for development projects that have financial gaps or for projects that otherwise represent a competitive situation for the City against non-Dallas locations. Companies pursuing incentives under the P/PP Program must provide written assurance that "but for" the incentives, the proposed project would not occur, or would otherwise be substantially altered so that the economic returns or other associated public benefits secured by the City's participation would be reduced.	The TIF program is intended to provide City financial support for projects that 1) support goals of specific redevelopment plans for each TIF District and 2) fill funding gaps in projects. Development pursuing incentives must provide detailed financial information about the project/financing gaps; show how project meets objectives of TIF plan for district, and; meet rigorous design review process requirements.
5. How recipients' taxes are reduced	The property tax due is net of the abated amount.	1. The property tax due is net of the abated amount, or the property tax may be paid by the taxpayer and subsequently refunded by the City. 2. The sales tax abatement is refunded after the taxpayer pays the sales tax. 3. The hotel occupancy tax abatement is refunded after the taxpayer pays the hotel occupancy tax.	Property taxes are paid by the taxpayer and subsequently refunded by the City to the taxpayer.
6. How amount of abatement is determined	The property tax abatement amount is based on the improvement expenditures for the structure as a percentage of the pre-rehabilitation value of the structure. The range of the abatement amount available is equal to the tax on the added value of the structure and land up to 100 percent of the total property tax.	1. The property tax may be abated up to 90 percent of the property tax paid depending on the type of project. 2. The sales tax abated is equal to 50 percent of sales tax receipts for the first 10 years and 25 percent for the next 5 years. 3. The hotel occupancy tax is abatement is equal to 100 percent of the hotel occupancy tax collected.	TIF financial incentives are based on a number of factors: 1) financial gap; 2) ability of project to meet objectives of TIF district; and 3) adequate revenue stream.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 4. Tax Abatements (continued)

Tax Abatement Programs Administered by the City of Dallas			
<i>Tax Abatement Disclosure as required by Statement No. 77 of the Government Accounting Standards Board</i>	Historic Preservation Program	Public Private Partnership Program (PPP Program)	Tax Increment Financing Program (TIF Program)
7. Provisions for recapturing abated taxes	There is an obligation by the owner to repay any taxes that were exempted under this program if the historic property is ever demolished or materially altered by the willful act or negligence of the owner without necessary City approvals.	If there is failure to comply with the agreement and in the case of default, all taxes which otherwise would have been paid to the City without the benefit of tax abatement, including interest and penalties thereon, will become a debt to the City and shall become due.	TIF incentives may or may not have a recapture provision. Each project is negotiated separately.
8. Type of commitments made by the City other than to reduce taxes	No other commitments were made by the City as part of these agreements.	No other commitments were made by the City as part of these agreements.	No other commitments were made by the City as part of these agreements.
9. Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of abatement agreement (in thousands).	Property taxes: \$1,534	Property tax: \$5,692 Sales tax: N/A (1) Hotel occupancy tax: 4,042 Total: \$9,734 (1) Texas Tax Code, Chapter 321, "Municipal Sales and Use Tax," Section 3022 - Information received by a municipality or other local governmental entity under this section is confidential, is not open to public inspection, and in general may only be used for internal purposes	The TIF program: \$30,039

Note 5. Cash, Deposits, and Investments

A. General

The City maintains a cash and investment pool available for use by all City funds. Each fund's portion of this pool is displayed on the balance sheet/statement of net position as "Pooled cash and cash equivalents." The City treats pooled investments and short-term non-pooled investments as cash equivalents. Long-term non-pooled investments are reported as "Other investments, at fair-value" in the appropriate funds. In addition, several City funds have investments, which are separately held. A fund may overdraw its account in the pool, with the overdrafts reported as liabilities (due to other funds) on the balance sheet.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

In 1987, the City Council adopted the City's Investment Policy which was in compliance with Federal and State law and the City Charter. Subsequent amendments were made by the City Council to incorporate changes to the Public Funds Investment Act (Chapter 2256, Texas Government Code) and to improve management of the City's investments. The Public Funds Investment Act requires that investments shall be made in accordance with written policies approved at least annually by the governing body. Investment policies must address safety of principal, liquidity and yield, with primary emphasis on safety of principal. In accordance with this Policy, the City may invest in direct or guaranteed obligations of the U.S. Treasury, certain U.S. agencies and instrumentalities, and direct obligations of states and local governments with a credit rating no less than Aa3 or its equivalent; fully collateralized certificates of deposit and repurchase agreements; no-load money market mutual funds and local government investment pools with credit ratings no less than Aaa or its equivalent. The City's Investment Pool is an aggregation of the majority of City funds which includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts, and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects, and debt service. The City is precluded from investing in bankers' acceptances, commercial paper, and collateralized mortgage obligations, all of which are authorized by State law.

The Employees' Retirement Fund and the Dallas Police and Fire Pension Systems, component units of the City, are included under Pension Trust in the following table. Police and Fire Pension Plans include Dallas Police and Fire Pension Combined Plan (Combined Plan) and Supplemental Police and Fire Pension Plan (Supplemental Plan). A summary of pooled cash and other investments for all City funds, including blended and discretely presented component units and \$1 million held in agency funds is presented below. Balances are presented as of September 30, 2018 or December 31, 2017, depending on the fiscal year of the entity.

	Cash and Pooled Investments with City Treasury	Other Cash and Investments Held in Trusts - Permanent Funds	Other Cash and Investments Held in Pension Trust	Total
Cash and cash equivalents	\$ 977,969	\$ -	\$ 236,055	\$ 1,214,024
Other investments	6,708	10,102	5,483,625	5,500,435
Restricted cash and investments	1,343,403	-	-	1,343,403
Total	<u>\$ 2,328,080</u>	<u>\$ 10,102</u>	<u>\$ 5,719,680</u>	<u>\$ 8,057,862</u>

A summary of the carrying amount of cash on hand, deposits, and investments at September 30, 2018, is as follows:

	Cash and Pooled Investments with City Treasury	Other Cash and Investments Held in Trusts - Permanent Funds	Other Cash and Investments Held in Pension Trust	Total
Deposits	\$ 253,938	\$ -	\$ 236,055	\$ 489,993
Investments	2,074,142	10,102	5,483,625	7,567,869
Total	<u>\$ 2,328,080</u>	<u>\$ 10,102</u>	<u>\$ 5,719,680</u>	<u>\$ 8,057,862</u>

Primary Government	Carrying Value	Bank Balance
Pooled Demand Deposits	\$ 253,938	\$ 257,884
Cash and cash equivalents - Pension Trust Funds	236,055	236,055
Total	<u>\$ 489,993</u>	<u>\$ 493,939</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

B. City of Dallas

The City of Dallas 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 the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are significant other observable inputs, and level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2018:

	Total	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Investments by Fair Value Level</u>			
Federal Agricultural Mortgage Corporation Notes	\$ 434,095	\$ -	\$ 434,095
Federal Farm Credit Bank Notes	233,219	-	233,219
Federal Home Loan Bank Notes	480,607	-	480,607
Federal Home Loan Mortgage Corporation Notes	254,979	-	254,979
Federal National Mortgage Association Notes	97,579	-	97,579
Exchange-Traded Funds - Equities	7,076	7,076	-
Exchange-Traded Funds - Fixed Income	1,122	1,122	-
Index Tracking Funds - Tangible Assets	454	454	-
Total Investments by Fair Value Level	<u>1,509,131</u>	<u>\$ 8,652</u>	<u>\$ 1,500,479</u>
<u>Investments Measured at Fair Value</u>			
Local Government Investment Pools	<u>326,346</u>		
<u>Investments Measured at Net Asset Value (NAV)</u>			
Money Market Mutual Funds	153,221		
Hedge Funds	1,214		
Total Investments Measured at Net Asset Value (NAV)	<u>154,435</u>		
<u>Investments Measured at Amortized Cost</u>			
Local Government Investment Pools	<u>53,027</u>		
<u>Other Investments Measured at Purchase Cost</u>			
Repurchase Agreements	<u>41,305</u>		
Total Investments	<u>\$ 2,084,244</u>		

The City invests in LOGIC, TexSTAR, Texas CLASS, TexPool, and Texas TERM, which are Local Government Investment Pools (LGIP) created under the Interlocal Cooperation Act, Texas Government Code Chapter 791, and the Public Funds Investment Act, Texas Government Code Chapter 2256. These two acts provide for the creation of LGIP's and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools. The LGIP's follow all requirements of the Public Funds Investment Act, including being rated by a nationally recognized rating agency, using amortized cost valuation, and, to the extent reasonably possible, stabilize at a \$1 net asset value.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

J.P. Morgan Investment Management Inc. and First Southwest Company (a division of Hilltop Securities) serve as co-administrators for the TexSTAR & LOGIC programs under agreements with each pool's respective board of directors. The TexSTAR governing board is a five-member Board consisting of three representatives of employees, officers or elected officials of participating government entities, and one member designated by each of the co-administrators. In addition, TexSTAR has an Advisory Board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool. The governing body of LOGIC is a five-member board of directors comprised of employees, officers or elected officials of participating government entities, or individuals who do not have a business relationship with LOGIC and are qualified to advise the pool. A maximum of two Advisory Board members represent the co-administrators of LOGIC.

Public Trust Advisors, LLC provides investment advisory services and administration and marketing services to Texas CLASS. Texas CLASS Board of Trustees oversees Texas CLASS. The Board is comprised of active members of the pool and elected by the Participants, guided by the Advisory Board. The Board is responsible for selecting the Administrator and Investment Advisors.

The Comptroller of Public Accounts for the State of Texas is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool and TexPool Prime. Pursuant to the TexPool Participation Agreement, administrative and investment services to the TexPool Portfolios are provided by Federated Investors, Inc., under an agreement with the State Comptroller, acting on behalf of the Trust Company. In addition, TexPool has an Advisory Board composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios.

PFM Asset Management LLC serves as Investment Advisor and Administrator of TexasTERM. An Advisory Board is responsible for the overall management of the pool, including formation and implementation of its investment and operating policies. The members of the Advisory Board are local government officials elected by Texas TERM's investors.

Deposit and Investment Risk Disclosures

GASB Statement No. 40, "Deposit and Investment Risk Disclosures," requires disclosure information related to common risks inherent in deposit and investment transactions. Investments are subject to certain types of risks, including custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Exposure of deposited funds and investment risk are disclosed in the following sections of this note.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. As of September 30, 2018, \$104.6 million was fully collateralized by municipal bonds rated not less than A or its equivalent, \$150.0 million was fully collateralized by letter of credit issued to the City by Federal Home Loan Bank, and \$250 thousand was insured by the Federal Deposit Insurance Corporation. The collateral pledged to the City is held in the City's name at the Bank of New York Mellon. The FDIC insures demand accounts up to \$250 thousand in the aggregate. At September 30, 2018, all deposits were either insured or collateralized.

Fully collateralized and insured deposits held by custodian banks:

Demand Deposits	\$ 254.8 million
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Safekeeping of investment securities is provided by the City's depository and trust institutions. Securities are held in street name with the bank as nominee. As of September 30, 2018, the City's investments held by the counterparty, and not insured, are as follows:

Security Type	Fair Value
U.S. Agency Securities	\$ 1,500,479

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

Concentration of Credit Risk

Investments that individually represent 5 percent or more of net portfolio assets are stated below. Investments issued or explicitly guaranteed by the U.S. government, and investments in mutual funds and external investment pools, are excluded.

<u>Agency Securities by Issuer</u>	<u>Fair Value</u>	<u>Percent of Total Portfolio</u>
Federal Agricultural Mortgage Corporation Notes	\$ 434,095	28.93%
Federal Farm Credit Bank Notes	233,219	15.54%
Federal Home Loan Bank Notes	480,607	32.03%
Federal Home Loan Mortgage Corporation Notes	254,979	16.99%
Federal National Mortgage Association Notes	97,579	6.50%
Total Agency Securities	<u>\$ 1,500,479</u>	<u>100.00%</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Money market mutual funds and local government investment pools in the City's portfolio are rated AAA by Standard & Poor's and/or Aaa by Moody's. U.S. Treasury Notes and Bills are obligations of the U.S. government and are not considered to have credit risk and thus are not rated (NR). Long-term bond ratings are used for the U.S. Government Agencies except for Federal Agricultural Mortgage Corporation (FAMC) Notes. U.S. Government Agencies are direct obligations of the United States agencies, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States agencies. Ratings for the City's portfolio are listed on the following table.

<u>Security Type</u>	<u>Fair Value</u>	<u>Percent of Total Portfolio</u>	<u>S&P/Moody's Ratings</u>
Money Market Mutual Funds and Local Government Investment Pools	\$ 532,594	26.20%	AAAm/Aaa
Federal Agricultural Mortgage Corporation Notes	434,095	21.35%	Not Rated
Other U.S. Agency Securities	1,066,384	52.45%	AA+/Aaa
Total Portfolio	<u>\$ 2,033,073</u>	<u>100.00%</u>	
Repurchase Agreements and Investment Portfolios Held by Various Trusts	51,171		
Total Investments	<u>\$ 2,084,244</u>		

Interest Rate Risk

In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years. The weighted average maturities of the City's investments at September 30, 2018 are shown on the following page.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

Security Type	Fair Value	Weighted Average Maturity (days)
Money Market Mutual Funds	\$ 153,221	31
Local Government Investment Pools	379,373	49
U.S. Agency Securities	1,500,479	250
Total Portfolio	2,033,073	196
Repurchase Agreements and Investment Portfolios Held by Various Trusts	51,171	
Total Investments	\$ 2,084,244	

C. Employees' Retirement Fund

The Employees' Retirement Fund measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

At December 31, 2017, the Plan had the following recurring fair value measurements.

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Short Term Investment:				
Short-Term Investment Fund	\$ 117,468	\$ 117,468	\$ -	\$ -
Fixed Income:				
Domestic Asset-Backed and Mortgage-Backed	18,933	-	18,933	-
US Government and Agency Obligations	105,871	-	105,871	-
Domestic Corporate and Taxable Municipal Bonds	720,643	-	643,873	76,770
International Fixed Income	3,433	-	3,433	-
Total Fixed Income	848,880		772,110	76,770
Equity:				
Domestic Common and Preferred Stock	779,695	771,929	-	7,766
International Common and Preferred Stock	470,765	461,404	-	9,361
Total Equity	1,250,460	1,233,333		17,127
Directly-Owned Real Estate	302,767	-	-	302,767
Total Investments by Fair Value Level	2,519,575	\$ 1,350,801	\$ 772,110	\$ 396,664
Investments Measured at Net Asset Value				
Collective Trust	589,452			
Private Equity	419,603			
Private Debt	81,533			
Equity-International Common and Preferred Stock	328			
Total Investments Measured at Net Asset Value	\$ 1,090,916			

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

Custodial Credit Risk

As of December 31, 2017, the Employees' Retirement Fund had \$1.5 million, or 0.04 percent of the total Plan investments of \$3.5 billion exposed to custodial credit risk as follows:

Uninsured and uncollateralized held by custodian bank outside the United States	\$1.5 million
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Concentration of Credit Risk

The Employees' Retirement Fund board has contracted with investment managers to manage the investment portfolio of the Plan, subject to the policies and guidelines established by the board. Northern Trust Company, as the Plan's custodian bank, had responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and accounting for the investment transactions. The Plan had no investments that individually represented 5 percent or more of the net position available for benefits at December 31, 2017. The Plan's concentration of credit risk policy is communicated to individual managers in their guidelines through limitations or restrictions to securities, sectors, debt ratings, and other factors that may be applicable to a particular manager.

Credit Risk

The Employees' Retirement Fund Investment policy allocates 30 percent of the total assets to fixed income. The policy provides for investments of up to 15 percent of fixed income assets in investment grade assets and up to 15 percent of fixed income assets in below investment grade assets. The investment grade allocation allows the managers to invest up to 20 percent of their portfolio assets in non-US dollar issues. Long term bond ratings for the Employees' Retirement Fund as of December 31, 2017 are shown on the following page.

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

Quality Rating	Fair Value	Percent of Bond Portfolio
AAA	\$ 60,609	6.51%
AA+	24,083	2.59%
AA	5,514	0.59%
AA-	7,119	0.77%
A+	4,307	0.46%
A	5,383	0.58%
A-	22,797	2.45%
BBB+	24,985	2.69%
BBB+	13,384	1.44%
BBB-	19,979	2.15%
BB+	33,752	3.63%
BB	48,745	5.23%
BB-	76,529	8.23%
B+	61,139	6.57%
B	63,069	6.78%
B-	48,224	5.18%
CCC+	18,131	1.95%
CCC	6,822	0.73%
CCC-	1,874	0.20%
CC	1,591	0.17%
C	469	0.05%
DDD	192	0.02%
D	882	0.09%
Not Rated	292,290	31.42%
U.S. Government fixed income securities - NR	88,545	9.52%
Total	<u>\$ 930,414</u>	<u>100.00%</u>

Interest Rate Risk

In the Employees' Retirement Fund, Government Mortgage-Backed Securities are most sensitive to changes in interest rates as their payments can vary significantly with interest rate changes. This change in prepayments will generally cause the duration, or interest rate risk, of these securities to increase when interest rates rise and decrease when interest rates fall. These securities represent 9.56 percent of the total fixed income portfolio with a fair market value of \$88,983 at December 31, 2017. The Employees' Retirement Fund does not have a separate policy for interest rate risk.

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

As of December 31, 2017, the Employees' Retirement Fund weighted-average maturities of the fixed income securities are as follows:

Fixed Income Securities	Fair Value	Weighted Average Maturity (Years)
Asset Backed	\$ 33,419	10.19
Bank Loans	8,441	5.25
Commercial Mortgage-Backed	26,143	27.76
Corporate Bonds	516,203	7.64
Government Agencies	167,634	11.96
Government Bonds	57,660	10.66
Government Mortgage-Backed Securities	88,983	31.71
Index Lined Government Bonds	1,060	29.98
Municipal/Provincial Bonds	20,832	16.20
Non-Government Backed C.M.O.s	10,039	22.71
Total	\$ 930,414	

Portfolio weighted average maturity in years: 10.42

Foreign Currency Risk

The Employees' Retirement Fund investment policies limit the aggregate amount that can be invested in each class of investments. The equity investment policy sets an allocation of 15 percent of assets to international equity, 5 percent of the assets to global equity, and 10 percent to global low volatility equity. The fixed income policy permits up to 15 percent of the global manager's portfolio to be invested in global investment grade fixed income bonds. The Fund's positions in these equity securities, invested directly and through commingled funds, was 14.56 percent of invested assets at December 31, 2017. The Fund's positions in such fixed income assets invested directly were 3.24 percent of invested assets at December 31, 2017. Employees' Retirement fund non-US Dollar denominated investments at December 31, 2017 were as shown on the following page.

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 5. Cash, Deposits, and Investments (continued)

<u>Currency</u>	<u>Investment Type</u>	<u>Balance of Investment (U.S. Dollars)</u>
Australian Dollars	Equity	\$ 10,605
Australian Dollars	Fixed Income	1,117
Brazil Real	Equity	3,350
British Pound	Equity	51,804
Canadian Dollars	Equity	36,062
Czech Republic Koruna	Equity	1,298
Denmark Krone	Equity	7,090
Euro	Equity	106,143
Euro	Fixed Income	2,316
Hong Kong Dollars	Equity	42,838
Hungary-Forint	Equity	1,648
Indonesian Rupiahs	Equity	3,713
Israeli Shekel	Equity	5,218
Japanese Yen	Equity	87,550
Malaysia Ringgit	Equity	3,614
Mexican Peso	Equity	2,847
New Zealand Dollar	Equity	4,072
Norwegian Krone	Equity	6,643
Philippines-Pesos	Equity	1,248
Poland-Zloty	Equity	1,389
Qatar-Ryal	Equity	18
Singaporean Dollars	Equity	4,689
South African Rand	Equity	5,668
South Korean Won	Equity	21,308
Swedish Krona	Equity	14,087
Swiss Francs	Equity	30,617
Taiwan New Dollar	Equity	3,876
Thailand Baht	Equity	11,924
Turkish Lira	Equity	1,763
United Arab-Dirham	Equity	11
Various Foreign Currencies	Currency Forward	234,220
Total non-US denominated instruments		<u>\$ 708,746</u>

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

Securities Lending Transactions

The board of the Employees' Retirement Fund has authorized the Plan to enter into agreements for the lending of certain of the Plan's securities (the "Securities Lending Program" or Program) including, but not limited to, stocks and bonds to counter party brokers and banks ("borrowers"), for a predetermined period of time and fee. Such transactions are not prohibited by State statute.

During the fiscal year ended December 31, 2017, Northern Trust ("Northern") lent, on behalf of the Employees' Retirement Fund, securities held by Northern, as a custodian, and received United States dollar cash, United States government agency securities, agency securities, and irrevocable bank letters of credit as collateral. Northern did not have the ability to pledge or sell collateral securities absent a borrower default. Northern Trust's Core USA Collateral Section establishes requirements for participation, collateralization levels, cash and non-cash collateral guidelines, and investment guidelines for the collateral received from borrowers. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities, the collateral for which is all denominated in the same currency as the loaned securities, 102 percent of the fair value of the loaned securities plus any accrued but unpaid distributions thereon, and (ii) in the case of loaned securities, the collateral for which is denominated in a different currency from the loaned securities, 105 percent of the fair value of the loaned securities plus any accrued but unpaid distributions thereon. Additionally, the guidelines set maturity/liquidity requirements for the collateral received from borrowers. At year-end, the Plan had no credit risk exposure to borrowers because the amounts of collateral held by the Plan exceed the amounts the borrowers owe the Plan. The collateral held for the Plan as of December 31, 2017 was \$288.6 million and is reported as an asset on the Statement of Net Position for the fiduciary funds.

The Board did not impose any restrictions during the fiscal year on the amount of the loans that Northern made on their behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Northern. Northern is contractually obligated to fully indemnify the Plan for a borrower's failure to return the loaned securities.

During the fiscal year, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral was invested, together with the collateral of other qualified tax-exempt plan lenders, in collective investment pools maintained by Northern. The relationship between the average maturities of the investment pools and the Plans' loans were affected by the maturities of the loans made by other plans' entities that invested cash collateral in the collective investment pools, which the Board could not determine.

D. Dallas Police and Fire Pension System

Investment in Group Master Trust

The Dallas Police and Fire Pension System's (the System) investments are held in the Group Master Trust (Group Trust). JP Morgan Chase served as custodian for the year ended December 31, 2017. The book value of the System interests in the Group Trust is based on the unitized interests that it has in the Group Trust. The Combined Plan's interest in the Group Trust was approximately 99.2 percent at December 31, 2017. The Supplemental Plan's interest in the Group Trust was approximately 0.8 percent at December 31, 2017. The allocation of investment income between the Combined Plan and the Supplemental Plan is based on the number of units owned of the Group Trust. Benefits, contributions, and administrative expenses are allocated to each plan directly.

GASB No. 72 requires all investments be categorized under a fair value hierarchy. Fair value of investments is determined based on both observable and unobservable inputs. Investments are categorized within the fair value hierarchy established by GASB and the levels within the hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date;
- Level 2: Inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs; and
- Level 3: Significant unobservable inputs for an asset or liability.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

The remaining investments not categorized under the fair value hierarchy are shown at NAV. These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The table on the following page presents a summary of the Group Trust's investments by type as of December 31, 2017, at fair value.

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Short-term investment funds	\$ 24,133	\$ 24,133	\$ -	\$ -
Fixed income securities				
US Treasury bonds	41,686	-	41,686	-
US Government Agencies	871	-	871	-
Corporate bonds	104,434	-	104,434	-
Foreign-denominated bonds	37,209	-	37,209	-
Municipal bonds	1,699	-	1,699	-
Equity securities				
Domestic	223,743	223,743	-	-
Foreign	196,092	196,092	-	-
Real assets				
Real estate	352,960	-	310	352,650
Timberland	14,637	-	-	14,637
Farmland	155,526	-	-	155,526
Private equity	79,381	-	79,381	-
Forward currency contracts	135	-	135	-
Total Investments by Fair Value Level	1,232,506	\$ 443,968	\$ 265,725	\$ 522,813
Investments Measured at Net Asset Value				
Equity - commingled funds	50,246			
Fixed income - commingled funds	142,115			
Real assets	278,083			
Private Equity	142,725			
Alternative investments	144,927			
Total Investments Measured at Net Asset Value	758,096			
Total Investments Measured at Fair Value	\$ 1,990,602			

Custodial Credit Risk

As of December 31, 2017, the Dallas Police and Fire Pension System has \$62.7 million of its cash balance exposed to custodial credit risk. DFPF does not have a formal policy for custodial credit risk; however, management believes that custodial credit risk exposure is mitigated by the financial strength of the financial institutions in which the deposits and securities are held.

Credit Risk

The Dallas Police and Fire Pension System does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract. The System's exposure to investment credit risk in fixed income securities as of December 31, 2017 is shown on the following page.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

Quality Rating	Corporate Bonds	Municipal Bonds	U.S. Government Securities	Foreign Government Securities	Grand Total Book Value	Percentage of Holdings
AAA	\$ 10,092	\$ -	\$ 41,686	\$ 1,936	\$ 53,714	28.89%
AA+	2,587	-	-	974	3,561	1.91%
AA	-	-	-	5,579	5,579	3.00%
AA-	5,297	730	-	-	6,027	3.24%
A+	1,933	-	-	-	1,933	1.04%
A	4,603	969	-	1,344	6,916	3.72%
A-	3,839	-	-	17,132	20,971	11.28%
BBB+	9,491	-	-	-	9,491	5.11%
BBB	3,141	-	-	-	3,141	1.69%
BBB-	2,594	-	-	6,496	9,090	4.89%
BB+	941	-	-	-	941	0.51%
BB	4,276	-	-	3,060	7,336	3.95%
BB-	7,392	-	-	-	7,392	3.98%
B+	3,807	-	-	-	3,807	2.05%
B	3,170	-	-	-	3,170	1.71%
B-	13,482	-	-	688	14,170	7.62%
Below B-	18,459	-	-	-	18,459	9.92%
Not Rated	9,330	-	871	-	10,201	5.48%
Subtotal	<u>\$ 104,434</u>	<u>\$ 1,699</u>	<u>\$ 42,557</u>	<u>\$ 37,209</u>	<u>\$ 185,899</u>	<u>100.00%</u>
Total credit risk debt securities					\$ 185,899	9.34%
Other investments					1,804,703	90.66%
Total investments					<u>\$ 1,990,602</u>	<u>100.00%</u>

Interest Rate Risk

As of December 31, 2017, the Dallas Police and Fire Pension Plans had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity in Years			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
Fixed maturity domestic:					
U.S. Treasury Bonds	\$ 41,686	\$ 9,199	\$ 30,800	\$ -	\$ 1,687
U.S. Government Agencies	871	-	-	-	871
Corporate Bonds	104,434	11,316	52,243	21,948	18,927
Municipal Bonds	1,699	-	399	-	1,300
Foreign-denominated Bonds	37,209	4,671	13,412	4,419	14,707
Total	<u>\$ 185,899</u>	<u>\$ 25,186</u>	<u>\$ 96,854</u>	<u>\$ 26,367</u>	<u>\$ 37,492</u>

While the Plans do not have a specific investment policy to limit investment maturities as a means of managing their exposure to interest rate risk, the Plans do manage this exposure by mandating maturity limits within the Investment Management Service Contracts.

Foreign Currency Risk

Police and Fire Pension Plans do not have specific policy guidelines other than the constraints included in the individual investment manager contracts. Police and Fire Pension Plans non-US Dollar denominated investments at December 31, 2017 were shown on the following page.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 5. Cash, Deposits, and Investments (continued)

<u>Currency</u>	<u>Investment Type</u>	Balance of Investment (U.S. Dollars)
Australian Dollar	Fixed Income	\$ 3,818
Australian Dollar	Equity	6,116
Australian Dollar	Real Assets	9,067
Brazilian Real	Fixed Income	3,060
Brazilian Real	Real Assets	7,965
British Pound Sterling	Fixed Income	4,671
British Pound Sterling	Equity	27,120
Danish Krone	Equity	4,283
Euro	Fixed Income	688
Euro	Equity	65,982
Hong Kong Dollar	Equity	13,831
Indonesian Rupiahs	Fixed Income	2,958
Indonesian Rupiahs	Equity	686
Japanese Yen	Equity	46,158
Malaysian Ringgit	Fixed Income	4,213
Mexican Peso	Fixed Income	9,085
Polish Zloty	Fixed Income	5,178
Singaporean Dollar	Equity	157
South African Rand	Fixed Income	3,538
South African Rand	Real Assets	28,940
South Korean Won	Equity	3,164
Swedish Krona	Equity	2,235
Swiss Franc	Equity	25,800
Taiwanese Dollar	Equity	560
Total non-US denominated instruments		<u>\$ 279,273</u>

Securities Lending Transactions

The board of Dallas Police and the Dallas Fire Pension System has authorized the System to enter into agreements for the lending of certain of the System's securities (the "Securities Lending Program" or Program) including, but not limited to, stocks and bonds to counter party brokers and banks ("borrowers"), for a predetermined period of time and fee. Such transactions are not prohibited by State statute.

During the fiscal year ended December 31, 2017, JP Morgan Chase ("JP Morgan") lent, on behalf of the Dallas Police and Fire Pension System, securities held by JP Morgan as a custodian, and received United States dollar cash and United States Government securities as collateral. JP Morgan did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was in the United States or sovereign debt issued by foreign governments, 102 percent of the fair value of the loaned securities, and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not in the United States dollars, 105 percent of the fair value of the loaned securities. At year-end, the System has no credit risk exposure to borrowers because the amounts of collateral held by the System exceed the amounts the borrowers owe the System. The collateral held for the System as of December 31, 2017 was \$12.2 million, and is reported as an asset on the Statement of Net Position for the fiduciary funds.

The Board did not impose any restrictions during the fiscal year on the amount of the loans that JP Morgan made on their behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or JP Morgan.

During the fiscal year, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral was invested, together with the collateral of other qualified tax-exempt plan lenders, in collective investment pools maintained by and JP Morgan. The relationship between the average maturities of the investment pools and the Plans' loans were affected by the maturities of the loans made by other plans' entities that invested cash collateral in the collective investment pools, which the Board could not determine.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 6. Receivables

Receivables at September 30, 2018 for the government's individual major and nonmajor governmental and internal service funds, including the applicable allowances for uncollectible accounts, consist of the following:

	General	Debt Service	Nonmajor	Internal Service Funds	Total Governmental Activities
Receivables:					
Ad valorem tax	\$ 27,697	\$ 11,615	\$ -	\$ -	\$ 39,312
Sales tax	51,774	-	-	-	51,774
Notes	275	-	71,276	-	71,551
Accounts	136,770	-	43,129	336	180,235
Accrued interest	439	64	2,434	172	3,109
Due from other governments	336	-	41,026	-	41,362
Gross receivables	<u>217,291</u>	<u>11,679</u>	<u>157,865</u>	<u>508</u>	<u>387,343</u>
Less allowance for doubtful accounts	(74,489)	(10,048)	(44,233)	-	(128,770)
Net total receivables	<u>\$ 142,802</u>	<u>\$ 1,631</u>	<u>\$ 113,632</u>	<u>\$ 508</u>	<u>\$ 258,573</u>

Receivables at September 30, 2018 for the primary government's individual major and nonmajor enterprise funds in the aggregate including the applicable allowances for uncollectible accounts, consist of the following:

	Dallas Water Utilities	Convention Center	Airport Revenues	Sanitation	Nonmajor Enterprise	Total Business- type Activities
Receivables:						
Accounts	\$ 82,440	\$ 3,468	\$ 13,242	\$ 15,060	\$ 560	\$ 114,770
Taxes	-	8,788	-	-	-	8,788
Accrued interest	1,389	323	350	107	139	2,308
Due from other governments	-	-	316	-	-	316
Gross receivables	<u>83,829</u>	<u>12,579</u>	<u>13,908</u>	<u>15,167</u>	<u>699</u>	<u>126,182</u>
Less allowance for uncollectible accounts	(9,633)	(436)	(30)	(5,397)	(14)	(15,510)
Net total receivables	<u>\$ 74,196</u>	<u>\$ 12,143</u>	<u>\$ 13,878</u>	<u>\$ 9,770</u>	<u>\$ 685</u>	<u>\$ 110,672</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Intergovernmental revenues and related receivables arise through funding received from federal and state grants. These revenues and receivables are earned through expenditures of monies for grant purposes. At September 30, 2018, the various components of deferred inflows of resources – unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Total Governmental Unearned	Deferred Inflows of Resources Unavailable Revenue
Taxes	\$ -	\$ 6,060
Accounts	2,592	45,355
Intergovernmental	14,615	38,572
Total	<u>\$ 17,207</u>	<u>\$ 89,987</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 7. Restricted Assets

The primary government's governmental and business-type restricted assets of \$774 million and \$725 million, respectively, are composed of the following at September 30, 2018:

	Governmental Activities	Business-Type Activities
Cash and Investments:		
Pooled Cash and Cash Equivalents	\$ 774,368	\$ 434,935
Other Investments	-	134,100
Future pipeline reserve capacity rights	-	116,033
Escrow deposit	-	39,719
Customer Assessments	-	670
Total	<u>\$ 774,368</u>	<u>\$ 725,457</u>

The restricted amounts are for accumulated resources for debt service payments, deposits from service users, unspent bond and other proceeds for construction, retention guarantees from contractors, future pipeline reserve capacity rights, and escrow deposits (see Notes 11.S and 19 for additional information).

Note 8. Capital Assets

Capital asset activity for the year ended September 30, 2018 is as follows:

	Balance, 9/30/17	Additions	Deletions	Balance, 9/30/18
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 494,617	\$ 14,586	\$ (288)	\$ 508,915
Artwork	49,867	3	-	49,870
Construction in progress	329,761	221,321	(194,795)	356,287
Total capital assets, not being depreciated	<u>874,245</u>	<u>235,910</u>	<u>(195,083)</u>	<u>915,072</u>
Capital assets, being depreciated:				
Buildings	1,341,553	69,039	-	1,410,592
Improvements other than buildings	685,353	8,811	-	694,164
Equipment	702,368	35,470	(17,605)	720,233
Infrastructure assets	2,574,800	141,507	-	2,716,307
Total capital assets, being depreciated:	<u>5,304,074</u>	<u>254,827</u>	<u>(17,605)</u>	<u>5,541,296</u>
Less accumulated depreciation for:				
Buildings	(550,382)	(28,133)	-	(578,515)
Improvements other than buildings	(219,486)	(17,445)	-	(236,931)
Equipment	(520,557)	(35,106)	17,172	(538,491)
Infrastructure assets	(970,671)	(47,230)	-	(1,017,901)
Total accumulated depreciation	<u>(2,261,096)</u>	<u>(127,914)</u>	<u>17,172</u>	<u>(2,371,838)</u>
Total capital assets being depreciated, net	<u>3,042,978</u>	<u>126,913</u>	<u>(433)</u>	<u>3,169,458</u>
Governmental activities capital assets, net	<u>\$ 3,917,223</u>	<u>\$ 362,823</u>	<u>\$ (195,516)</u>	<u>\$ 4,084,530</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 8. Capital Assets (continued)

Depreciation expense charged to functions:

General government	\$	18,095
Public safety		11,097
Code enforcement		136
Environment and health services		293
Streets, public works, and transportation		59,158
Equipment and building services		15,975
Culture and recreation		22,757
Housing		392
Human Services		11
Total depreciation expense - governmental activities	\$	<u>127,914</u>

(includes \$3,414 of depreciation expense for the Internal Service Funds)

	Balance, 9/30/17	Additions	Deletions	Balance, 9/30/18
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 322,570	\$ 6,593	\$ -	\$ 329,163
Artwork	3,396	-	-	3,396
Construction in progress	1,154,254	325,130	(384,769)	1,094,615
Total capital assets, not being depreciated	<u>1,480,220</u>	<u>331,723</u>	<u>(384,769)</u>	<u>1,427,174</u>
Capital assets, being depreciated:				
Water rights	353,910	-	-	353,910
Buildings	1,838,698	169,977	-	2,008,675
Improvements other than buildings	501,794	20,430	-	522,224
Equipment	730,830	63,722	(1,972)	792,580
Infrastructure assets	603,420	1,319	-	604,739
Utility property	3,995,288	186,611	(2,006)	4,179,893
Total capital assets, being depreciated:	<u>8,023,940</u>	<u>442,059</u>	<u>(3,978)</u>	<u>8,462,021</u>
Less accumulated depreciation for:				
Water rights	(120,452)	(3,539)	-	(123,991)
Buildings	(653,582)	(40,817)	-	(694,399)
Improvements other than buildings	(140,090)	(24,366)	-	(164,456)
Equipment	(508,183)	(27,367)	1,958	(533,592)
Infrastructure assets	(263,123)	(2,718)	-	(265,841)
Utility property	(1,138,401)	(80,520)	1,693	(1,217,228)
Total accumulated depreciation	<u>(2,823,831)</u>	<u>(179,327)</u>	<u>3,651</u>	<u>(2,999,507)</u>
Total capital assets being depreciated, net	<u>5,200,109</u>	<u>262,732</u>	<u>(327)</u>	<u>5,462,514</u>
Business-Type Activities capital assets, net	<u>\$ 6,680,329</u>	<u>\$ 594,455</u>	<u>\$ (385,096)</u>	<u>\$ 6,889,688</u>

Depreciation expense charged to business-type activities:

Dallas Water Utilities	\$	123,315
Convention Center		18,207
Airport Revenues		32,521
Sanitation		5,183
Nonmajor Enterprise Funds		101
Total depreciation expense - business-type activities	\$	<u>179,327</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 9. Interfund Receivables, Payables, and Transfers

Due to Other Funds/From Other Funds

A portion of the interfund payable due from nonmajor governmental funds to the General Fund was a result of a bank overdraft from other fund's share of pooled cash.

Amounts due from and due to other funds at September 30, 2018 were as follows:

<u>Due From Other Funds</u>	<u>Amount</u>	<u>Due to Other Funds</u>	
		<u>General</u>	<u>Nonmajor Governmental</u>
General	\$ 4,821	\$ -	\$ 4,821
Dallas Water Utilities	268	268	-
Nonmajor Governmental	256	-	256
Total	\$ 5,345	\$ 268	\$ 5,077

Interfund Notes Receivable and Payable

Interfund notes receivable and payable balances at September 30, 2018 were as follows:

<u>Note receivable</u>	<u>Note Payable</u>
	<u>Nonmajor Governmental</u>
Nonmajor governmental	\$ 4,161
Dallas Water Utilities	5,967
Total	\$ 10,128

These balances relate to long-term borrowings to finance various capital acquisitions and equipment purchases.

Transfers In/Out

Transfers made between funds during the fiscal year are listed below:

<u>Transfers Out</u>	<u>Amount Transferred</u>	<u>Transfers In</u>							
		<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Dallas Water Utilities</u>	<u>Convention Center</u>	<u>Airport Revenues</u>	<u>Sanitation</u>	<u>Internal Service</u>
General	\$ 77,874	\$ -	\$ 20	\$ 14,673	\$ -	\$ -	\$ -	\$ -	\$ 63,181
Nonmajor Governmental	9,700	594	1,140	1,595	9	195	7	5,166	994
Dallas Water Utilities	27,346	14,968	-	12,378	-	-	-	-	-
Convention Center	3,412	-	784	2,628	-	-	-	-	-
Airport Revenues	327	-	327	-	-	-	-	-	-
Sanitation	19,104	4,444	16	14,644	-	-	-	-	-
Nonmajor Enterprise	345	-	345	-	-	-	-	-	-
Internal Service	8,939	6,277	2,662	-	-	-	-	-	-
Total	\$ 147,047	\$ 26,283	\$ 5,294	\$ 45,918	\$ 9	\$ 195	\$ 7	\$ 5,166	\$ 64,175

These transfers were primarily for support of operation and maintenance, construction projects, asset purchases, and to service the debt associated with the respective funds. The General Fund transferred \$61.7 million in bond proceeds to the Internal Service Risk Fund. The bonds were issued to settle legal claims, which will be paid from the Internal Service Risk Fund. Transfers were also made from the Dallas Water Utilities fund for payments-in-lieu-of-taxes (PILOT), which are recorded as transfers rather than operation and maintenance expenses due to the nonreciprocal nature of the transactions. Under the terms of the bond ordinance, PILOT and other similar payments are not considered operation and maintenance of the Dallas Water Utilities Fund; therefore, they are not included in the debt coverage calculation.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 10. Accounts Payable and Accrued Expenses

The primary government's accounts payable and accrued expenses at September 30, 2018 are as follows:

	General	Nonmajor Governmental	Internal Service	Total Governmental Activities
Accrued payroll	\$ 23,633	\$ 486	\$ 470	\$ 24,589
Accounts payable	32,985	5,746	12,512	51,243
Due to other governments	2,646	2,126	-	4,772
Contracts payable	-	81,239	-	81,239
Other liabilities	4,851	3,915	3,880	12,646
Construction accounts payable	-	13,760	-	13,760
Total	<u>\$ 64,115</u>	<u>\$ 107,272</u>	<u>\$ 16,862</u>	<u>\$ 188,249</u>

	Dallas Water Utilities	Convention Center	Airport Revenues	Sanitation	Nonmajor	Total Business-type Activities
Accrued payroll	\$ 1,132	\$ 86	\$ 207	\$ 382	\$ 257	\$ 2,064
Accounts payable	12,330	8,625	4,004	6,746	783	32,488
Due to other governments	-	3	-	523	-	526
Other liabilities	-	-	-	-	1,934	1,934
Construction accounts payable	65,457	76	10,032	-	-	75,565
Total	<u>\$ 78,919</u>	<u>\$ 8,790</u>	<u>\$ 14,243</u>	<u>\$ 7,651</u>	<u>\$ 2,974</u>	<u>\$ 112,577</u>

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt

A. Governmental Activities

The changes in the governmental activities long-term liabilities for the year ended September 30, 2018 are as follows:

	Balance, 9/30/17 (Restated)*	Additions	Deletions	Balance, 9/30/18	Due Within One Year
General Obligation Bonds					
Refunding Series 2007A	\$ 30,675	\$ -	\$ 30,675	\$ -	\$ -
Series 2008	11,045	-	11,045	-	-
Refunding Series 2010A	134,805	-	48,290	86,515	51,230
Building America Bonds Series 2010B	85,380	-	-	85,380	5,960
Refunding Bonds Series 2010C	68,881	-	9,393	59,488	8,185
Refunding Bonds Series 2012	170,755	-	5,305	165,450	11,345
Refunding Bonds Series 2013A	153,520	-	10,235	143,285	10,235
Refunding Bonds Series 2013B	25,810	-	11,995	13,815	8,755
Refunding Bonds Series 2014	489,815	-	15,950	473,865	15,950
Refunding Bonds Series 2015	184,235	-	10,840	173,395	10,840
Refunding Bonds Series 2017	-	301,960	3,800	298,160	17,135
Series 2018	-	58,715	-	58,715	-
Tax and Revenue Certificates					
Series 2008A	600	-	600	-	-
Series 2010	430	-	215	215	215
Series 2012	12,080	-	2,180	9,900	2,290
Pension Obligation Bonds					
Taxable Series 2005A	80,794	-	1,714	79,080	1,714
Series 2005B	43,634	-	4,411	39,223	4,206
Taxable Refunding Bonds Series 2010	52,198	-	-	52,198	-
Total Bonds, Obligations, and Certificates	1,544,657	360,675	166,648	1,738,684	148,060
Add: Unamortized Premium/Discount	208,972	36,444	29,366	216,050	-
Add: Accretion	105,900	14,342	11,269	108,973	-
Total Bonds, Obligations, and Certificates	1,859,529	411,461	207,283	2,063,707	148,060
Other Liabilities:					
Commercial paper notes payable	9,650	35,160	9,650	35,160	-
Compensated absences	116,612	56,533	58,166	114,979	58,388
Other postemployment benefits	413,699	32,016	38,177	407,538	-
Pollution remediation	4,259	885	4,031	1,113	661
Developer payable	113,029	35,457	41,303	107,183	18,130
Estimated unpaid claims	124,057	272,679	161,048	235,688	196,742
Notes payable	49,027	2,692	3,661	48,058	3,888
Net pension liability	6,939,883	1,256,581	5,285,185	2,911,279	-
Sales tax refund liability	6,705	-	1,513	5,192	1,574
Capital leases	59,565	33,832	17,609	75,788	16,906
Total other liabilities	7,836,486	1,725,835	5,620,343	3,941,978	296,289
Total governmental long-term debt	\$ 9,696,015	\$ 2,137,296	\$ 5,827,626	\$ 6,005,685	\$ 444,349

* Other postemployment benefits were restated due to the implementation of GASB Statement No. 75 (see note 1W).

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

The liability for commercial paper notes will be fully liquidated by the Debt Service Fund. The liabilities for the compensated absences, net pension liability, and other postemployment benefits will be liquidated by General Fund, Community Development Fund, Health and Human Services Fund, Library Fund, Police Fund, Recreation Fund, Management Improvement Fund, Storm Water Operations Fund, Municipal Fund, General Citizen Fund, Equipment Services Fund, Communication Equipment Services Fund, Office Services Fund, Information Systems Fund, and the Risk Fund. The liability for pollution remediation will be fully liquidated by the General Fund. The liability for the developer payable will be liquidated by the Neighborhood Projects Fund. The entire estimated unpaid claims liability of \$236 million is reported in the Risk Fund, and \$62.7 million will be liquidated by that fund. The remaining \$173.3 million in general liability activities is expected to be funded in fiscal year 2018, through the issuance of general obligation bonds. The liabilities for the notes payable, sales tax refund, and capital leases will be liquidated by the General Fund.

B. Governmental General Obligation Bonds (GO Bonds)

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable property located within the City.

In December 2017, the City issued general obligation refunding and improvement bonds, Series 2017, of \$302 million with a stated interest rate range of 3.0% to 5.0% and a final maturity of February 15, 2037. The bonds were issued to refund certain outstanding bonds of the City (general obligation bonds, Series 2007A), refund outstanding commercial paper, finance certain public improvements, and pay the cost of issuance of the bonds. Proceeds of \$30.7 million were deposited with an escrow agent to be used to pay the outstanding principal amount of the refunded bonds. As a result, \$30.7 million of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. Total debt service payments decreased by \$3.3 million as a result of the refunding. The City also incurred an economic gain (difference between the present value of the old debt and new debt service payments) of \$2.8 million.

In August 2018, the City issued general obligation bonds, Series 2018, of \$58.7 million with a stated interest rate range of 3.0% to 5.0% and a final maturity of February 15, 2038. The bonds were issued to settle legal claims related to a pay referendum lawsuit for uniformed employees.

The General Obligation Bonds outstanding as of September 30, 2018 are as follows:

	<u>Final</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 627	2020	3.0% to 5.0%	\$ 86,515
Series 628	2030	4.39% to 5.61%	85,380
Series 631	2023	3.0% to 5.0%	59,488
Series 637	2026	2.0% to 5.0%	165,450
Series 638	2032	0.76% to 5.0%	157,100
Series 1692	2034	4.0% to 5.0%	473,865
Series 1700	2034	5.00%	173,395
Series 1843	2037	3.0% to 5.0%	298,160
Series W257	2038	3.0% to 5.0%	58,715
Total			<u>\$ 1,558,068</u>

The Certificates of Obligation outstanding as of September 30, 2018 are as follows:

	<u>Final</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 629	2019	2.00% to 4.00%	\$ 215
Series 635	2022	2.00% to 5.00%	9,900
Total			<u>\$ 10,115</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

The Pension Obligation Bonds outstanding as of September 30, 2018 are as follows:

	Final	Interest Rates	Amount
Series 600	2035	3.24% to 5.19%	\$ 79,080
Series 601	2035	4.10% to 5.48%	39,223
Series 632	2024	0.295% to 4.66%	52,198
Total			<u>\$ 170,501</u>

C. Long-Term Notes Payable

In fiscal year 2018 and previous fiscal years, the City issued notes for the purpose of making utility efficiency improvements to various buildings owned by the City and for building improvements. These notes are payable in quarterly installments. In addition, the City recorded four U.S. Department of Housing and Urban Development Section 108 HUD notes. The total outstanding notes payable as of September 30, 2018 are as follows:

	Final	Payments Due	Interest	Amount
	Maturity		Rates	
State Energy Conservation Office CL245	2022	Quarterly	2.50%	3,162
State Energy Conservation Office CL247	2026	Quarterly	2.50%	1,915
State Energy Conservation Office CL272	2026	Quarterly	2.00%	6,936
State Energy Conservation Office CL273	N/A	N/A	N/A	5,437
Section 108 B-09-MC-48-0009	2021	Semi-Annually	Variable	4,560
Section 108 B-09-MC-48-0009-A	2032	Quarterly	Variable	7,494
Section 108 B-09-MC-48-0009-B	2022	Quarterly	Variable	8,492
Section 108 B-12-MC-48-0009	2027	Semi-Annually	2.75%	10,062
Total				<u>\$ 48,058</u>

D. General Obligation Commercial Paper Notes

The commercial paper notes Series A and Series B are supported by a credit agreement with JPMorgan Chase Bank, N.A., and extends through November 27, 2020. The Series A and Series B notes have an aggregate available amount not to exceed approximately \$375.9 million, which includes \$350 million of principal together with approximately \$25.9 million of accrued interest for a maximum maturity date not to exceed 270 days at a rate not to exceed 10 percent per annum. The two commercial paper programs constitute an obligation subordinate to the City's general obligation bonds. Any advances for payments of commercial paper under the line of credit are secured by proceeds of the applicable portion of the tax levy as set forth in the Credit Agreements. During fiscal year 2018, \$35.2 million was issued and \$9.7 million was repaid. Upon maturity, the notes will be remarketed by the commercial paper dealers or extinguished with long-term debt.

E. Governmental Debt Service Requirements

The future debt service principal and interest payment requirements for the City's General Obligation Bonds, Tax and Revenue Certificates, and Pension Obligation Bonds at September 30, 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 148,060	\$ 90,556	\$ 238,616
2020	139,861	84,632	224,493
2021	154,117	64,385	218,502
2022	154,129	56,690	210,819
2023	154,935	49,032	203,967
2024-2028	559,541	250,265	809,806
2029-2033	307,935	203,863	511,798
2034-2038	120,106	72,205	192,311
Total	<u>\$ 1,738,684</u>	<u>\$ 871,628</u>	<u>\$ 2,610,312</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

The future principal and interest payment requirements for the City's long-term notes payable at September 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,888	\$ 1,095	\$ 4,983
2020	3,945	1,017	4,962
2021	6,835	890	7,725
2022	5,055	718	5,773
2023	9,948	597	10,545
2024-2028	14,773	1,874	16,647
2029-2033	3,614	268	3,882
Total	<u>\$ 48,058</u>	<u>\$ 6,459</u>	<u>\$ 54,517</u>

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

F. Business-Type Activities

The changes in the business-type activities long-term liabilities for the year ended September 30, 2018 are as follows:

	Balance, 9/30/17 (Restated)*	Additions	Deletions	Balance, 9/30/18	Due Within One Year
<u>Dallas Water Utilities</u>					
<u>City of Dallas Waterworks and Sewer System</u>					
Series 2007	\$ 38,930	\$ -	\$ 38,930	\$ -	\$ -
Series 2008	7,405	-	3,610	3,795	3,795
Series 2009A	1,083	-	715	368	368
Series 2009B	6,460	-	475	5,985	480
Series 2009C	69,138	-	5,180	63,958	5,225
Series 2010	119,510	-	7,050	112,460	7,760
Series 2011	158,950	-	12,045	146,905	12,640
Series 2012	302,230	-	12,565	289,665	19,200
Series 2013	148,525	-	2,935	145,590	3,040
Series 2015	598,325	-	3,245	595,080	3,410
Series 2016	537,815	-	8,105	529,710	43,095
Series 2017	171,540	-	-	171,540	2,790
Series 2018A	-	22,000	-	22,000	-
Series 2018B	-	44,000	-	44,000	-
Series 2018C	-	152,965	-	152,965	-
Total Revenue Bonds Payable	<u>2,159,911</u>	<u>218,965</u>	<u>94,855</u>	<u>2,284,021</u>	<u>101,803</u>
Add: Unamortized Premium	197,041	11,176	18,137	190,080	-
Total Revenue Bonds of Water Utilities	<u>2,356,952</u>	<u>230,141</u>	<u>112,992</u>	<u>2,474,101</u>	<u>101,803</u>
Pension Obligation Bonds	48,388	-	1,678	46,710	1,622
Add: Net premium/discount	20,925	-	677	20,248	-
Add: Accretion	29,008	3,929	3,087	29,850	-
Total Water Utilities Bonds	<u>2,455,273</u>	<u>234,070</u>	<u>118,434</u>	<u>2,570,909</u>	<u>103,425</u>
Other liabilities:					
Commercial paper notes payable	18,500	145,200	163,700	-	-
Compensated absences payable	11,673	5,627	5,637	11,663	5,820
Other postemployment benefits	59,543	4,345	5,181	58,707	-
Net pension liability	196,236	125,674	158,130	163,780	-
Water transmission facilities financing agreement	445,954	-	10,118	435,836	9,506
Arbitrage rebate	-	106	-	106	-
Total other liabilities	<u>731,906</u>	<u>280,952</u>	<u>342,766</u>	<u>670,092</u>	<u>15,326</u>
Total long-term liabilities for Dallas Water Utilities Convention Center	<u>3,187,179</u>	<u>515,022</u>	<u>461,200</u>	<u>3,241,001</u>	<u>118,751</u>
<u>Revenue Bonds</u>					
<u>Civic Center Refunding and Improvement</u>					
Revenue Bonds	296,390	-	8,250	288,140	8,665
Add: Net premium/discount	(2,074)	-	(301)	(2,375)	-
Total Civic Center Revenue Bonds	<u>294,316</u>	<u>-</u>	<u>7,949</u>	<u>285,765</u>	<u>8,665</u>
Pension Obligation Bonds	3,441	-	120	3,321	116
Add: net premium/discount	1,493	-	48	1,445	-
Add: Accretion	2,070	281	220	2,131	-
Total Convention Center Bonds	<u>301,320</u>	<u>281</u>	<u>8,337</u>	<u>292,662</u>	<u>8,781</u>
Other liabilities:					
Compensated absences	842	358	336	864	431
Pollution remediation	59	-	-	59	-
Other postemployment benefits	4,593	338	403	4,528	-
Net pension liability	9,032	10,253	12,901	6,384	-
Total long-term liabilities for Convention Center	<u>315,846</u>	<u>11,230</u>	<u>21,977</u>	<u>304,497</u>	<u>9,212</u>

* Other postemployment benefits were restated due to the implementation of GASB Statement No. 75 (see note 1W).

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

	Balance, 9/30/17 (Restated)*	Additions	Deletions	Balance, 9/30/18	Due Within One Year
Airport Revenues					
General Airport Revenue Bonds 2015	\$ 109,235	\$ -	\$ -	\$ 109,235	\$ 3,885
General Airport Revenue Bonds 2017	116,850	-	-	116,850	-
Add: Net Premium/Discount	23,317	-	2,471	20,846	-
Total Airport Revenue Bonds	<u>249,402</u>	<u>-</u>	<u>2,471</u>	<u>246,931</u>	<u>3,885</u>
Pension Obligation Bonds	4,533	-	157	4,376	152
Add: Net Premium/Discount	1,961	-	63	1,898	-
Add: Accretion	2,719	368	289	2,798	-
Total Airport Bonds	<u>258,615</u>	<u>368</u>	<u>2,980</u>	<u>256,003</u>	<u>4,037</u>
Other Liabilities:					
Compensated absences	1,796	1,006	1,060	1,742	869
Pollution remediation	645	813	330	1,128	788
Capital leases payable	72,865	-	1,095	71,770	1,158
Obligation for revenue credit agreement	431,765	-	7,710	424,055	8,095
Revenue credit agreement					
Net premium/discount	(4,558)	278	470	(4,750)	-
Other postemployment benefits	9,931	832	992	9,771	-
Net pension liability	21,469	20,441	25,720	16,190	-
Total other liabilities	<u>533,913</u>	<u>23,370</u>	<u>37,377</u>	<u>519,906</u>	<u>10,910</u>
Total long-term liabilities for Airport Revenues	<u>792,528</u>	<u>23,738</u>	<u>40,357</u>	<u>775,909</u>	<u>14,947</u>
Sanitation					
General Obligation Bonds					
2010C GO Refunding	6,939	-	947	5,992	825
Add: Net premium/discount	368	-	99	269	-
Total Sanitation General Obligation Bonds	<u>7,307</u>	<u>-</u>	<u>1,046</u>	<u>6,261</u>	<u>825</u>
Pension Obligation Bonds	15,818	-	548	15,270	530
Add: Net premium/discount	6,841	-	221	6,620	-
Add: Accretion	9,484	1,284	1,009	9,759	-
Total Sanitation Bonds	<u>39,450</u>	<u>1,284</u>	<u>2,824</u>	<u>37,910</u>	<u>1,355</u>
Other liabilities:					
Landfill closure/postclosure	40,216	1,637	352	41,501	268
Compensated absences	3,044	1,391	1,392	3,043	1,518
Other postemployment benefits	20,152	1,539	1,836	19,855	-
Net pension liability	59,917	41,512	52,233	49,196	-
Capital leases	17,627	6,561	5,228	18,960	5,818
Total other liabilities	<u>140,956</u>	<u>52,640</u>	<u>61,041</u>	<u>132,555</u>	<u>7,604</u>
Total long-term liabilities for Sanitation	<u>180,406</u>	<u>53,924</u>	<u>63,865</u>	<u>170,465</u>	<u>8,959</u>
Non-Major Business-Type					
Pension Obligation Bonds	8,817	-	306	8,511	295
Add: Net premium/discount	3,812	-	123	3,689	-
Add: Accretion	5,282	715	561	5,436	-
Total Non-Major Business-Type Bonds	<u>17,911</u>	<u>715</u>	<u>990</u>	<u>17,636</u>	<u>295</u>
Other liabilities:					
Compensated absences	2,399	1,298	1,341	2,356	1,175
Other postemployment benefits	10,883	835	996	10,722	-
Net pension liability	35,820	27,881	35,081	28,620	-
Total other liabilities	<u>49,102</u>	<u>30,014</u>	<u>37,418</u>	<u>41,698</u>	<u>1,175</u>
Total long-term liabilities for Non-Major Business-type Activities	<u>67,013</u>	<u>30,729</u>	<u>38,408</u>	<u>59,334</u>	<u>1,470</u>
Total Business-Type Activities - Long-Term Liabilities	<u>\$ 4,542,972</u>	<u>\$ 634,643</u>	<u>\$ 625,807</u>	<u>\$ 4,551,206</u>	<u>\$ 153,339</u>

* Other postemployment benefits were restated due to the implementation of GASB Statement No. 75 (see note 1W).

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

G. Water Works and Sewer System Revenue Bonds and Pension Obligation Bonds

In May 2018, Dallas Water Utilities issued Waterworks and Sewer System Revenue Bonds Series 2018A and Series 2018B of \$66 million and interest rates ranging from 0.02 percent to 1.70 percent. Final maturity will occur on October 1, 2047. The bonds were issued to fund capital construction projects.

In September 2018, Dallas Water Utilities issued Waterworks and Sewer System Revenue Refunding Bonds Series 2018C of \$153 million with a premium of \$11.2 million and interest rates ranging from 4.00 percent to 5.00 percent. Final maturity will occur on October 1, 2047. The bonds were issued to refund outstanding commercial paper used by Dallas Water Utilities to fund capital construction projects.

The Waterworks and Sewer System debt service fund provides for the payment of principal and interest on the water department outstanding revenue bonds. Operating revenues from water operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Water Operating Fund to the debt service fund to meet annual principal and interest obligations. Pension Obligation bonds are paid through increased contributions to the debt service fund. The Water Works and Sewer System bonds outstanding as of September 30, 2018 are as follows:

<u>Series Description</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
619 Rev Bonds	2019	4.00% - 5.00%	\$ 3,795
624 Rev Bonds	2019	0.423% - 2.877%	368
625 Rev Bonds	2029	1.303% - 2.877%	5,985
626 Rev Bonds	2029	0.148% - 3.018%	63,958
630 Rev Bonds	2040	3.00% - 5.00%	112,460
634 Rev Bonds	2041	3.00% - 5.00%	146,905
636 Rev Bonds	2042	0.595% - 5.00%	289,665
639 Rev Bonds	2043	2.00% - 5.00%	145,590
9712 Rev Bonds	2045	1.00%-5.00%	595,080
1727 Rev Bonds	2046	3.00%-5.00%	529,710
W208 Rev Bonds	2048	4.00%-5.00%	171,540
W309 Rev Bonds	2048	0.02%-1.70%	66,000
W339 Rev Bonds	2048	4.00%-5.00%	152,965
Total Revenue Bonds			2,284,021
Pension Obligation Bonds	2035	0.295% - 5.48%	46,710
Total Outstanding			<u>\$ 2,330,731</u>

Utility Revenues Pledged

The City has pledged future water and wastewater customer revenues, net of specified operating expenses, to repay \$2.3 billion in water and wastewater system revenue bonds, of which \$219 million was issued during the current fiscal year and the remaining balance in prior fiscal years. Proceeds from the bonds provided financing for capital assets. The bonds are payable solely from water customer net revenues and are payable through fiscal year 2048. Net revenues, as defined in the bond documents, for each year are expected to be at least equal to 1.25 times the principal and interest requirements of all outstanding previously issued bonds and additional bonds for the year. The total principal and interest remaining to be paid on the bonds at September 30, 2018 is \$3.5 billion. Principal and interest paid during fiscal year 2018 were \$95 million and \$86 million, respectively.

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

H. Convention Center (Revenue Bonds and Pension Obligation Bonds)

The 7 percent Hotel Occupancy Tax, operating revenues of the Convention Center Complex, and interest earned on cash balances in the bond reserve and debt service funds are pledged for repayment of the debt. Pension Obligation Bonds are paid through increased contributions to the Debt Service Fund. Additionally, the City has covenanted to provide the payment of operating and maintenance expenses of the Convention Center Complex, should a shortfall in Convention Center revenues occur. Revenue from the Convention Center operating fund is transferred to the debt service fund to meet annual principal and interest payments. The Convention Center bonds outstanding as of September 30, 2018 are as follows:

<u>Series Description</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
Civic Center Convention Complex	2038	3.00% - 5.25%	\$ 288,140
Pension Obligation Bonds	2035	0.295% - 5.48%	3,321
Total Outstanding			<u>\$ 291,461</u>

I. Airport Revenues (General Airport Revenue Bonds and Pension Obligation Bonds)

During December 2016, the Love Field Airport Modernization Corporation (LFAMC) issued \$116.85 million in General Airport Revenue Bonds, Series 2017 with a premium of \$13.6 million. The stated rate on the bonds is 5 percent with a final maturity on November 1, 2036. Proceeds from the sale of the Bonds were used to complete the design and construction costs of an approximately 5,000 space parking garage and related improvements to increase public parking capacity at Love Field Airport, fund approximately 22 months of capitalized interest, which is intended to cover the period commencing with the date of issuance of the Bonds through 12 months following substantial completion of construction of the project, fund a bond debt service reserve fund, and pay cost of issuance.

In a previous year, the Love Field Airport Modernization Corporation (LFAMC) issued \$109.2 million in General Airport Revenue Bonds, Series 2015 with a premium of \$13.6 million. The stated interest rate on the bonds is 5 percent with a final maturity on November 1, 2035. Proceeds from the sale of the Bonds were used to fund design and construction costs of an approximately 5,000 space parking garage and related improvements to increase public parking capacity at Love Field Airport, fund approximately 27 months of capitalized interest (which is intended to cover the period commencing with the date of issuance of the Bonds through 12 months following substantial completion of construction of the parking garage, fund a bond debt service reserve fund, and pay cost of issuance for the bonds.

Pension Obligation bonds are paid through increased contributions to the Debt Service Fund. Operating revenues from Airport operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Airport operating fund to the debt service fund to meet annual principal and interest obligations.

Airport revenue and pension obligation bonds outstanding as of September 30, 2018 are as follows:

<u>Series Description</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
General Airport Revenue Bonds 2015	2036	5.00%	\$ 109,235
General Airport Revenue Bonds 2017	2036	5.00%	116,850
Pension Obligation Bonds	2035	0.295% - 5.48%	4,376
Total			<u>\$ 230,461</u>

J. Airport Revenues Conduit Debt and Revenue Credit Agreement

The Love Field Airport Modernization Corporation (LFAMC), a Texas non-profit "local government corporation" and blended component unit of the City, issued \$310 million in Special Facilities Revenue Bonds during November 2010, and \$146.26 million in May 2012. The bonds were issued to finance the acquisition, construction, expansion, installation and equipping of certain capital improvements at Dallas Love Field Airport. Major construction commenced during fiscal year 2010 and was substantially completed during fiscal year 2015.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

Prior to the issuance of the bonds, the City entered into two separate funding agreements with an airline carrier: (1) a "Facilities Agreement" pursuant to which the airline carrier is obligated to make debt service payments on the principal and interest amounts associated with the bonds (Facilities Payments), less other sources of funds the City may apply to the repayment of the bonds (including, but not limited to, passenger facility charges collected from passengers originating from Love Field Airport); and (2) a "Revenue Credit Agreement" pursuant to which the City will reimburse the airline carrier for the Facilities Payments made by the carrier.

A majority of the monies transferred from the City to the airline carrier under the Revenue Credit Agreement are expected to originate from a reimbursement account created in a "Use and Lease Agreement" between the City and the airline carrier. The Use and Lease Agreement is a 20-year agreement providing for, among other things, the lease of space at the Airport from the City. The remainder of such monies transferred from the City to the airline carrier under the Revenue Credit Agreement is expected to originate from (1) use and lease agreements with other airlines, (2) various concession agreements, and (3) other miscellaneous revenues generated at Love Field Airport.

All of the assets ultimately acquired by the bonds belong to the City at the time of acquisition pursuant to an Agreement for Donation and Assignment entered into between the City and the airline carrier. The bonds are a special obligation for which the airline carrier has guaranteed the principal and interest payments on the bonds, payable solely from the facilities payments to be made pursuant to the terms of the Special Facilities Agreement and other funds constituting the trust estate under the indenture, including any amounts received under the guaranty. The bonds do not constitute a debt or pledge of the faith and credit of the LFAMC, the City, the County, or the State of Texas, and accordingly have not been reported in the accompanying financial statements. At September 30, 2018, the Special Facilities Revenue Bonds outstanding was \$419 million.

K. Airport Revenues Obligation for Revenue Credit Agreement

The revenue credit agreement entered into between the City and the airline carrier was made possible as a result of the rate making provisions of the Airport Use and Lease Agreement which provide for the annual calculation of airline rates and charges sufficient to recover among other things, debt service on the bonds. While the crediting back of money to the airline carrier under the revenue credit agreement will be done pursuant to a contractual agreement between the City and the airline carrier, such revenue credits are not pledged to the payment of debt service on the Bonds. The City has determined the obligation under the revenue credit agreement to be a liability, and accordingly has recorded the obligation in the accompanying financial statements. The interest rates for the obligation range between 4.39 percent to 5.48 percent, and the obligation will be amortized over a period of 30 years. The balance of the obligation for the revenue credit agreement was \$424 million less the net premium/discount of \$5 million for a total balance of \$419 million, at September 30, 2018. The schedule of principal and interest payments required for the obligation is provided below (in thousands):

Fiscal Year	Airport Revenue - LFAMC		
	Obligation for Revenue Credit Agreement		
	Principal	Interest	Total
2019	\$ 8,095	\$ 21,690	\$ 29,785
2020	8,500	21,318	29,818
2021	8,840	20,927	29,767
2022	9,280	20,474	29,754
2023	9,745	19,998	29,743
2024-2028	56,535	91,982	148,517
2029-2033	98,580	72,554	171,134
2034-2038	129,385	42,639	172,024
2039-2041	95,095	7,659	102,754
Total	\$ 424,055	\$ 319,241	\$ 743,296

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

L. Sanitation Enterprise Fund (General Obligation Bonds and Pension Obligation Bonds)

The Sanitation Fund provides for the payment of principal and interest on a portion of the 2010 General Obligation Refunding Bonds and the Pension Obligation Bonds, which are paid through increased contributions to the Debt Service Fund. The bonds outstanding as of September 30, 2018 are as follows:

<u>Series Description</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 631 General Obligation Bonds	2023	3.0% to 5.0%	\$ 5,992
Pension Obligation Bonds	2035	0.295% to 5.48%	15,270
Total Outstanding			<u>\$ 21,262</u>

M. Non-Major Enterprise Fund (Pension Obligation Bonds)

The non-major enterprise funds provide for the payment of principal and interest on a portion of Pension Obligation Bonds, which are paid through increased contributions to the Debt Service Fund. The bonds outstanding as of September 30, 2018 are as follows:

<u>Series Description</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
Pension Obligation Bonds	2035	0.295% - 5.48%	\$ 8,511

N. Business-Type Activities Debt Service Requirements

The debt service principal and interest payment requirement to maturity at September 30, 2018 for the business-type activities Revenue Bonds and Pension Obligation Bonds are as follows:

Fiscal Year	Dallas Water Utilities					
	Revenue Bonds			Pension Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 101,803	\$ 90,022	\$ 191,825	\$ 1,622	\$ 5,117	\$ 6,739
2020	105,560	90,109	195,669	1,610	5,322	6,932
2021	109,115	86,550	195,665	5,559	1,575	7,134
2022	114,210	82,735	196,945	6,081	1,281	7,362
2023	108,480	78,939	187,419	6,685	976	7,661
2024-2028	435,725	337,598	773,323	13,290	29,884	43,174
2029-2033	413,993	245,882	659,875	7,548	42,980	50,528
2034-2038	435,480	148,428	583,908	4,315	18,091	22,406
2039-2043	311,000	63,445	374,445	-	-	-
2044-2048	148,655	11,940	160,595	-	-	-
Total	<u>\$ 2,284,021</u>	<u>\$ 1,235,648</u>	<u>\$ 3,519,669</u>	<u>\$ 46,710</u>	<u>\$ 105,226</u>	<u>\$ 151,936</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

Convention Center						
Fiscal Year	Revenue Bonds			Pension Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 8,665	\$ 14,820	\$ 23,485	\$ 116	\$ 365	\$ 481
2020	9,095	14,386	23,481	115	380	495
2021	9,550	13,932	23,482	397	112	509
2022	10,030	13,454	23,484	434	91	525
2023	10,530	12,953	23,483	477	70	547
2024-2028	61,095	56,318	117,413	936	2,132	3,068
2029-2033	78,210	39,202	117,412	538	3,066	3,604
2034-2038	100,965	16,444	117,409	308	1,291	1,599
Total	<u>\$ 288,140</u>	<u>\$ 181,509</u>	<u>\$ 469,649</u>	<u>\$ 3,321</u>	<u>\$ 7,507</u>	<u>\$ 10,828</u>

Airport Revenues						
Fiscal Year	General Airport Revenue Bonds			Pension Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 3,885	\$ 11,207	\$ 15,092	\$ 152	\$ 479	\$ 631
2020	8,230	10,904	19,134	151	499	650
2021	8,640	10,483	19,123	521	148	669
2022	9,075	10,040	19,115	570	120	690
2023	9,530	9,575	19,105	627	91	718
2024-2028	55,280	40,041	95,321	1,244	2,800	4,044
2029-2033	70,555	24,386	94,941	707	4,028	4,735
2034-2038	60,890	5,602	66,492	404	1,695	2,099
Total	<u>\$ 226,085</u>	<u>\$ 122,238</u>	<u>\$ 348,323</u>	<u>\$ 4,376</u>	<u>\$ 9,860</u>	<u>\$ 14,236</u>

Sanitation						
Fiscal Year	General Obligation Bonds			Pension Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 825	\$ 267	\$ 1,092	\$ 530	\$ 1,673	\$ 2,203
2020	821	234	1,055	526	1,740	2,266
2021	1,912	170	2,082	1,817	515	2,332
2022	1,606	82	1,688	1,988	419	2,407
2023	828	21	849	2,186	319	2,505
2024-2028	-	-	-	4,344	9,770	14,114
2029-2033	-	-	-	2,468	14,051	16,519
2034-2035	-	-	-	1,411	5,914	7,325
Total	<u>\$ 5,992</u>	<u>\$ 774</u>	<u>\$ 6,766</u>	<u>\$ 15,270</u>	<u>\$ 34,401</u>	<u>\$ 49,671</u>

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

Non-Major Enterprise Funds			
Pension Obligation Bonds			
Fiscal Year	Principal	Interest	Total
2019	\$ 295	\$ 932	\$ 1,227
2020	293	969	1,262
2021	1,012	287	1,299
2022	1,107	233	1,340
2023	1,217	178	1,395
2024-2028	2,420	5,442	7,862
2029-2033	1,375	7,826	9,201
2034-2035	792	3,294	4,086
Total	\$ 8,511	\$ 19,161	\$ 27,672

O. Discretely Presented Component Unit Debt Service Requirements

The changes in the DDDA discretely presented component unit's long-term liabilities for the year ended September 30, 2018 are as follows:

	Balance, 09/30/17	Additions	Deletions	Balance, 09/30/18	Due Within One Year
Tax Increment Revenue Bonds					
Series 2006	\$ 37,139	\$ -	\$ 2,267	\$ 34,872	\$ 2,285
Series 2007	24,608	-	448	24,160	468
Total Bonds	61,747	-	2,715	59,032	2,753
Accretion	34,103	4,102	2,610	35,595	-
Total Bonds	\$ 95,850	\$ 4,102	\$ 5,325	\$ 94,627	\$ 2,753

The changes in the Dallas Convention Center Hotel Development Corporation discretely presented component unit's long-term liabilities for the year ended December 31, 2017 are as shown on the following page.

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

	Balance, 12/31/16	Additions	Deletions	Balance, 12/31/17	Due Within One Year
2009A Current Interest Bonds	\$ 62,530	\$ -	\$ -	\$ 62,530	\$ 365
2009A Capital Appreciation Bonds	11,881	-	-	11,881	4,742
2009B Taxable Build America Bonds	388,175	-	-	388,175	-
2009C Taxable Bonds	7,745	-	7,415	330	330
Total Revenue Bonds	<u>470,331</u>	<u>-</u>	<u>7,415</u>	<u>462,916</u>	<u>5,437</u>
Add: Unamortized Premium	376	-	97	279	-
Less: Unamortized Discount	(193)	-	(34)	(159)	-
Add: Accretion on Capital Appreciation Bonds	6,462	1,122	-	7,584	-
Key Money Payable	5,900	-	1,200	4,700	1,200
Total Long-Term Debt	<u>\$ 482,876</u>	<u>\$ 1,122</u>	<u>\$ 8,678</u>	<u>\$ 475,320</u>	<u>\$ 6,637</u>

The DDDA discretely presented component unit has issued tax increment bonds that are payable solely from the pledged tax increments of the zone. The tax increment bonds outstanding as of September 30, 2018 are as follows:

Series Description	Final Maturity	Interest Rates	Amount
Series DDDA - Series 2006	2036	5.25% - 5.66%	\$ 34,872
Series DDDA - Series 2007	2036	5.49% - 6.28%	24,160
Total Outstanding			<u>\$ 59,032</u>

The Dallas Convention Center Hotel Development Corporation discretely presented component unit bonds outstanding as of December 31, 2017 are as follows:

Series Description	Final Maturity	Interest Rates	Amount
2009A Current Interest Bonds	2024	4.25% - 5.25%	\$ 62,530
2009A Capital Appreciation Bonds	2026	5.43% - 6.46%	11,881
2009B Taxable Build America Bonds	2042	7.09%	388,175
2009C Taxable Bonds	2018	4.99% - 5.58%	330
Total Outstanding			<u>\$ 462,916</u>

The debt service principal and interest payment requirement to maturity at September 30, 2018 for the DDDA discretely presented component unit activities tax increment financing bonds and at December 31, 2017 for the Dallas Convention Center Hotel Development Corporation bonds are as follows:

Fiscal Year	DDD			Calendar Year	Dallas Convention Center Hotel Development Corporation		
	Principal	Interest	Total		Principal	Interest	Total
2019	2,753	4,416	\$ 7,169	2018	\$ 5,437	\$ 33,355	\$ 38,792
2020	2,749	4,750	7,499	2019	8,435	30,471	38,906
2021	3,208	4,600	7,808	2020	9,125	30,041	39,166
2022	3,243	4,914	8,157	2021	9,890	29,558	39,448
2023	3,249	5,161	8,410	2022	10,690	29,025	39,715
2024-2028	13,260	28,904	42,164	2023-2027	53,610	149,377	202,987
2029-2033	18,204	30,134	48,338	2028-2032	87,760	114,850	202,610
2034-2036	12,366	17,339	29,705	2033-2037	119,115	78,404	197,519
Total	<u>\$ 59,032</u>	<u>\$ 100,218</u>	<u>\$ 159,250</u>	2038-2042	158,854	29,413	188,267
				Total	<u>\$ 462,916</u>	<u>\$ 524,494</u>	<u>\$ 987,410</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

P. Bonds Authorized and Unissued

The following is a schedule of authorized but unissued bonds at September 30, 2018:

	Date of Authorization	Amount Authorized	Amount Unissued
2006 Capital Improvement Program	11/7/2006	\$ 1,338,940	\$ 61,459
2012 Capital Improvement Program	11/6/2012	642,000	51,396
2017 Capital Improvement Program	11/6/2012	1,050,000	1,019,425
Total		\$ 3,030,940	\$ 1,132,280

Q. Compliance with Debt Covenants

For the year ended September 30, 2018, management of the City believes that it was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt.

R. Dallas Water Utilities Commercial Paper Notes

The commercial paper program constitutes an obligation subordinate to the Waterworks and Sewer System revenue bonds. Any advances made by credit providers for payments of commercial paper under the line of credit are secured by water and wastewater pledged revenues.

The commercial paper notes Series D are supported by two liquidity agreements through two banks. The liquidity agreements supporting the Sub-Series D-1 and Sub-Series D-2 notes are through State Street Bank and Trust Company and Bank of America N.A., respectively, and extend to January 8, 2020. The Sub-Series D-1 notes have an aggregate available principal amount not to exceed \$241.6 million, which includes \$225 million of principal together with approximately \$16.6 million of accrued interest for a maximum maturity date not to exceed 270 days at a rate of 10 percent per annum. The Sub-Series D-2 notes have an aggregate available principal amount not to exceed \$80.5 million, which includes \$75 million of principal together with approximately \$5.5 million of accrued interest for a maximum maturity date not to exceed 270 days at a rate of 10 percent per annum.

The commercial paper notes Series E are supported by a liquidity agreement with JPMorgan Chase Bank, N.A., and extend to September 30, 2019. The Series E notes have an aggregate available principal amount not to exceed \$322.2 million, which includes \$300 million of principal together with approximately \$22.2 million of accrued interest for a maximum maturity date not to exceed 270 days at a rate of 10 percent per annum.

During fiscal year 2018, \$145.2 million was issued and \$163.7 million was repaid. Upon maturity, the notes will be remarketed by the commercial paper dealers or extinguished with long-term debt. There was no outstanding balance for the commercial paper notes payable at September 30, 2018.

S. Dallas Water Utilities Obligation for Water Transmission Facilities Financing Agreement

Tarrant Regional Water District (TRWD), a water control and improvement district and political subdivision of the State of Texas, issued Water Facilities Contract Revenue Bonds in February 2012 in the amount of \$131.9 million, in January 2014 in the amount of \$202.1 million, and in December 2015 in the amount of \$140 million. The bonds were issued to finance the DWU share of costs for designing, acquiring, constructing, improving, repairing, rehabilitating, and or replacing water transmission facilities capable of delivering additional raw water supply to the customers of the DWU and TRWD for their respective customers (the Project). The Project is tentatively scheduled to be completed in 2027. The City's share of the total cost of the Project is estimated to be \$977.5 million. Upon completion of the Project, DWU will have reserved capacity rights in the amount of 150 million gallons per day. Depending on the timing of construction, additional bonds are expected to be issued throughout the construction period.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 11. Long-Term Debt (continued)

In order to ensure adequate funding from Dallas Water Utilities for the payment of principal and interest, the City entered into a separate funding agreement with TRWD, a Water Transmission Facilities Financing Agreement (the Agreement). Under this Agreement, the City is obligated to make payments to TRWD for the principal and interest amounts associated with the bonds. The Agreement establishes through State statutes that those payments will be treated as operating and maintenance expenses. The treatment of payments to TRWD as operating and maintenance expenses is only being applied to the Schedule of Revenue Bond Coverage for the Dallas Water Utilities and for purposes of establishing rates.

The Agreement establishes that TRWD shall own and operate the Project, subject to Dallas' reserve capacity rights in the Project. The bonds are a special obligation of TRWD. Principal and interest are secured by, and payable solely from, payments to be received by TRWD from the City to the extent required and provided in the Agreement. The bonds do not constitute a debt or pledge of the faith and credit of the City, and accordingly have not been reported in the accompanying financial statements. At September 30, 2018, the TRWD Water Facilities Contract Revenue Bonds outstanding were \$437 million.

The City has determined the obligation under the Agreement to be a liability to the extent that such obligations are for the payment of bonds issued to fund Dallas Water Utilities' share of costs for the Project. The City has capitalized the development of an intangible asset, Pipeline Reserve Capacity Rights, in Construction in Progress for the actual Project costs incurred by TRWD. The unspent proceeds held by TRWD for future construction costs have been recorded in Restricted Assets: Other Noncurrent Assets – Future Pipeline Reserve Capacity Rights. The interest rates for the obligation range from 0.45 percent to 6.0 percent. The obligation will be amortized over a period of 30 years. The balance of the obligation for the Agreement was \$436 million at September 30, 2018. The schedule of principal and interest payments required for the obligation is provided below:

Fiscal Year	Principal	Interest	Total
2019	\$ 9,506	\$ 15,941	\$ 25,447
2020	10,660	17,081	27,741
2021	10,955	16,653	27,608
2022	11,285	16,204	27,489
2023	11,640	15,732	27,372
2024-2028	65,140	71,523	136,663
2029-2033	79,145	59,046	138,191
2034-2038	97,865	41,610	139,475
2039-2043	113,205	19,171	132,376
2044-2046	26,435	1,206	27,641
Total	<u>\$ 435,836</u>	<u>\$ 274,167</u>	<u>\$ 710,003</u>

Note 12. Leases

A. As Lessee

As lessee, the City is committed under various leases for building and office space, data processing, and communications equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the fiscal year ended September 30, 2018, amounted to \$4.1 million.

Future minimum lease payments for these leases are as follows:

Year Ending September 30,	Total Rental Payments	Governmental Activities	Business-Type Activities
2019	\$ 4,046	\$ 3,022	\$ 1,024
2020	3,655	2,617	1,038
2021	3,171	2,257	914
2022	2,659	1,733	926
2023	1,531	836	695
2024-2028	2,829	864	1,965
2029-2033	847	55	792
Thereafter	399	219	180
Minimum Future Rentals	<u>\$ 19,137</u>	<u>\$ 11,603</u>	<u>\$ 7,534</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 12. Leases (continued)

The City is also committed under capital leases for the purchase of computer equipment, vehicles and heavy equipment, parking garages, and a parking lot. The liability for future capital lease payments totals \$166.5 million. Future minimum lease payments for capital leases including interest and principal are as shown below.

Fiscal Year	Total Rental Payments	Governmental Activities	Business-Type Activities
2019	\$ 29,952	\$ 18,595	\$ 11,357
2020	26,522	16,108	10,414
2021	22,365	12,994	9,371
2022	17,955	9,462	8,493
2023	13,444	7,347	6,097
2024-2028	43,836	17,919	25,917
2029-2033	25,917	-	25,917
Thereafter	62,452	-	62,452
Total minimum future lease payments	242,443	82,425	160,018
Less: Amount representing interest	(75,925)	(6,637)	(69,288)
Present value of net minimum lease payments	<u>\$ 166,518</u>	<u>\$ 75,788</u>	<u>\$ 90,730</u>

Analysis of the City's investments in capital assets under capital lease arrangements as of September 30, 2018 is as follows:

	Governmental Activities	Business-Type Activities
Building and equipment	\$ 89,133	\$ 8,444
Land	-	75,270
Less: Accumulated depreciation	(40,947)	(4,136)
Total	<u>\$ 48,186</u>	<u>\$ 79,578</u>

B. As Lessor

The City is also under several lease agreements as lessor whereby it receives revenues from leasing airport terminal space, hangars, parking spaces, ramps, land, buildings, and office space to air carriers and other tenants. These revenue leases are considered for accounting purposes to be operating leases. Additionally, other City departments receive revenues under various agreements for the operation of concessions. Most of these revenues are determined based on various percentages of gross sales for the concessions.

Revenues for the fiscal year ended September 30, 2018 were \$79.5 million. The following is a schedule of minimum future rentals on non-cancelable operating leases as of September 30, 2018:

Year Ending September 30	Governmental Activities	Dallas Water Utilities	Convention Center	Airport Revenues	Total
2019	\$ 1,109	\$ 86	\$ 932	\$ 55,621	\$ 57,748
2020	614	46	919	55,083	56,662
2021	613	43	919	54,793	56,368
2022	603	41	940	48,234	49,818
2023	279	41	940	46,448	47,708
2024-2028	1,397	207	4,033	203,329	208,966
2029-2033	382	207	4,076	4,652	9,317
Thereafter	332	2,738	14,941	4,397	22,408
Minimum Future Rentals	<u>\$ 5,329</u>	<u>\$ 3,409</u>	<u>\$ 27,700</u>	<u>\$ 472,557</u>	<u>\$ 508,995</u>

The above amounts do not include contingent rentals of the Airport Revenues Fund, which may be received under certain leases; such contingent rentals received totaled \$452 thousand in fiscal year 2018.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 13. Defeasance of Debt

In current and prior years, the City legally defeased certain outstanding general obligation and enterprise revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of the refunded bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's basic financial statements.

As of September 30, 2018, the City had a total of \$255 million defeased outstanding General Obligation Bonds and \$765 million defeased outstanding water and sewer revenue bonds. The bonds defeased during the fiscal year are as follows:

	Balance, 9/30/2017	Additions	Deletions	Balance, 9/30/2018
General Obligation Bonds	\$ 250,510	\$ 30,675	\$ 25,845	\$ 255,340
Water and Sewer Revenue Bonds	770,920	-	5,865	765,055
Total	<u>\$ 1,021,430</u>	<u>\$ 30,675</u>	<u>\$ 31,710</u>	<u>\$ 1,020,395</u>

Note 14. Risk Management – Estimated Claims and Judgments Payable

The City is self-insured for all third-party general liability claims. Claims adjusting services are provided by the City's internal staff. Interfund premiums are based primarily upon the insured funds' claims experience and exposure, and are reported as cost reimbursement interfund transactions. The liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses, and, if probable and material, salvage, and subrogation.

All known City property, primarily buildings and contents, is insured through commercial insurance policies, subject to a \$750 thousand deductible per loss occurrence. The amount of settlements have not exceeded the deductible loss per occurrence for the past three fiscal years.

The City is self-insured for workers' compensation claims that occurred prior to October 1, 1999. Effective October 1, 1999 through January 31, 2013, the City was insured for workers' compensation losses in excess of \$750 thousand per occurrence. Effective February 1, 2013, the City was insured for workers' compensation losses in excess of \$1 million per occurrence. Effective February 1, 2016, the City is insured for workers' compensation losses in excess of \$1.5 million per occurrence. Claims adjusting services are provided by an independent "administrative services" contractor. Workers' compensation premiums are based primarily upon the insured funds' claims experience and exposure, and are reported as cost reimbursement interfund transactions.

All workers' compensation losses are accumulated in a clearing fund which is being reimbursed by the premiums collected. When losses exceed premiums, the deficiencies are prorated and supplemented by the various applicable funds. Accrued workers' compensation liability consists of incurred but not reported as well as unpaid reported claims of which \$37.4 million at September 30, 2018, is recorded in the risk funds. Of this amount, \$7.2 million is estimated to be payable in the next fiscal year.

The City maintains a group health insurance plan for employees and dependents which is self-insured by the City. The City also offers enrollment in one health maintenance organization as an alternative. Premiums are determined based on the annual budget. The City also maintains a group life insurance plan which offers term-life and accidental death and dismemberment for employees and dependents. The City is fully insured for employee term-life. Health claims and claims incurred but not reported that are probable and can be reasonably estimated are accrued in the accompanying basic financial statements at September 30, 2018, in the amount of \$8.3 million in the risk funds.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 14. Risk Management – Estimated Claims and Judgments Payable (continued)

At September 30, 2018, the City estimates its general liability at \$190.0 million, of which \$181.2 million is estimated to be payable in the next fiscal year. The general liability includes \$7.6 million for automobile and general liability and \$182.4 million for probable claims and lawsuits.

Changes in the balances of claims liabilities during the past fiscal year are as follows:

	Workers' Compensation		Health		General Liability	
	2018	2017	2018	2017	2018	2017
Unpaid claims, beginning of year	\$ 36,486	\$ 35,416	\$ 7,817	\$ 7,183	\$ 79,754	\$ 20,448
Incurred claims, including incurred but not reported claims (IBNRs) and changes in estimates	11,222	18,718	84,941	74,090	176,516	68,773
Claim payments	(10,373)	(15,882)	(83,010)	(80,369)	(66,944)	(6,471)
Changes to prior year estimates (IBNR)	39	(1,766)	(1,436)	6,913	677	(2,996)
Unpaid claims, end of year	<u>\$ 37,374</u>	<u>\$ 36,486</u>	<u>\$ 8,312</u>	<u>\$ 7,817</u>	<u>\$ 190,003</u>	<u>\$ 79,754</u>

Note 15. Accrued Landfill Liability

The City owns and operates the McCommas Bluff landfill located in the southern portion of the City. The developed 409.2 acres of the landfill has an estimated remaining useful life of 1 year. The undeveloped 493.2 acres of the landfill has an estimated useful life of 28 years. Closure and post-closure care of this landfill is subject to the requirements of Subtitle D of the Resource Conservation and Recovery Act (P.L. 94-580) and Sections 330.250-256 of Title 30 of the Texas Administrative Code administered by the Texas Commission on Environmental Quality (TCEQ). These regulations require the City to place a final cover on each cell of the landfill when it ceases to accept waste, and perform certain maintenance and monitoring functions for thirty years after the closure of each cell.

Because final contours have not been achieved, the City has not yet initiated closure of any of this landfill or incurred closure expenses. Therefore, the estimated \$36.4 million liability for closure/post-closure care is based on 88.7 percent of the capacity of the developed landfill subject to TCEQ regulations--none of which is expected to be paid from current available resources.

The City also owns and operates three transfer stations. The estimated post closure cost is \$239 thousand for the transfer stations at September 30, 2018.

The estimated total liability of \$41.5 million is based on current dollar average cost per acre calculations for this specific landfill as originally provided by consulting firms and has been revised annually by the City to accommodate inflation, deflation, technology, and developmental or regulation changes. In accordance with the provisions of Codification of Governmental Accounting and Financial Reporting Standards, Section L10, "Landfill Closure and Post Closure Care Costs," the City has recorded a closure and post-closure liability of \$36.7 million as a long-term liability. Closure and post-closure care are funded through current Sanitation Fund revenues generated by landfill operations. Effective April 9, 1997, Sections 330.280-284 of Title 30 of the Texas Administrative Code (TAC) require landfill owners to demonstrate financial assurance on an annual basis that they will have sufficient financial resources to satisfy closure and post-closure care expenditures at such time as these become payable.

The City also owns the Deepwood & Loop 12 landfill located at South Miller Road, southwest of Loop 12. This landfill is closed. The estimated total liability for post closure care costs for the entire 47 acres of the closed landfill (132 acres of the Landfill Property) is estimated to be \$4.8 million during the next 18 years, of which \$268 thousand is due within one year.

The total closure and post-closure liability for both landfills and the three transfer stations at September 30, 2018 is \$41.5 million.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 16. Pollution Remediation

The City is responsible for following all applicable environmental rules when managing sites with environmental clean-up or management requirements. The Texas Commission on Environmental Quality (TCEQ) is the State regulatory agency that regulates all projects being reported. The method used to calculate the liability is the current value of outlays to remediate the properties – the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. The liability is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. As of September 30, 2018, the total environmental remediation liability is \$2.3 million and \$1.5 million is estimated to be paid in fiscal year 2018. At this time, the City is unable to estimate any recoveries to reduce the liability. The specific issues related to the City's remediation efforts include:

The City is managing 15 sites that are regulated by the Texas Risk Reduction Program, Texas Administrative Code (TAC) Ch. 350:

1. For the first site, the City has investigated the environmental impact from two permitted closed landfills and conducted remediation as required. During the period cap inspections, methane monitoring, and correspondence with TCEQ has been completed. Additional activities include preparing response action completion report for submittal to TCEQ, engineering report and requesting conditional closure. Groundwater monitoring, methane monitoring, and cap inspections will be part of operation and maintenance (O&M). After a reduction in scope of work, the estimated cost for this project is \$137 thousand and all pollution remediation activities are expected to be completed in fiscal year 2019. Required O&M related to the closed landfill caps will continue.
2. For the second site, the City has conducted groundwater monitoring and product recovery activities, obtained LPST case closure and entered the site into the TCEQ Voluntary Cleanup Program (VCP) to address the chlorinated solvent plume in groundwater. During the reporting period, groundwater monitoring and TCEQ reporting was completed and preparation of the MSD application and Affected Property Assessment Report (APAR) are in process. Activities in the current period include semi-annual groundwater monitoring, finalizing and submitting the MSD application, and completing the APAR. The estimated cost for this project is \$202 thousand, with \$80 thousand expected to be paid in fiscal year 2019.
3. For the third site, the City has completed Phase I and Phase II Environmental Site Assessments (ESA), addressed groundwater with a municipal setting designation (MSD), excavated metal impacted soils, and completed an Affected Property Assessment Report (APAR). During the reporting period, APAR response comments were completed along with extensive communication to obtain TCEQ concurrence on completion of activities to residential standards. After a reduction in scope of work, all activities were completed in fiscal year 2018.
4. For the fourth site, the City conducted pre-demolition environmental investigation in the building including testing for metals dust, asbestos containing material, lead, and mold and investigation of the subsurface at an Aviation property with a new tenant; obtained conditional closure from TCEQ and performed oversight of development activities by the tenant in the building and subsurface. During the reporting period, ongoing oversight of development activities by the tenant in the building and subsurface and obtaining TCEQ approval of activities. Activities in the current period include environmental monitoring, soil management, disposal of waste soil and regulatory reporting, review of abatement auditing completed for the building and reporting. After an increase in the scope of work, the estimated cost for this project is \$1.1 million and \$757 thousand is expected to be paid in fiscal year 2019.
5. For the fifth site, the City completed a Phase II ESA as part of pre-acquisition due diligence and entered the property into the TCEQ VCP. During the reporting period, communication with TCEQ was completed. Activities in the current period include groundwater monitoring, drinking water well survey, reporting, and communication with TCEQ. The estimated cost for this project is \$59 thousand and no costs are estimated for fiscal year 2019 because the final estimates and scope of work are pending from the consultant.
6. For the sixth site, the City has completed Phase I and Phase II ESAs, hydraulic lift removal, asbestos abatement, and removal of impacted soil as part of construction of a new fire station. Additional activities include submitting an application to the TCEQ VCP, obtaining an MSD and reporting to TCEQ. The estimated cost for this project is \$67 thousand and no costs are estimated for fiscal year 2019 because the estimates and scope of work are pending from the consultant.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 16. Pollution Remediation (continued)

7. For the seventh site, the City has completed a Phase I and II ESA additional subsurface investigation, completed the MSD application, and prepared the Affected Property Assessment Report (APAR). During the reporting period, the MSD application and APAR were reviewed, MSD updated, and correspondence with TCEQ was completed. Activities in the current period are expected to include MSD and APAR completion and submittal to TCEQ. The estimated cost for this project is \$94 thousand and \$52 thousand is expected to be paid in fiscal year 2019.
8. For the eighth site, the City has completed a Phase I and II ESA, obtained MSD certification, completed subsurface investigation, and submitted the Affected Property Assessment Report to TCEQ. During the reporting period, a response to TCEQ comments was completed, and a response action completion report (RACR) is in process. Activities expected to be completed in the current period are submittal of the APAR comments, completion of the RACR, and obtaining TCEQ closure. The estimated cost for this project is \$15 thousand and all is expected to be paid in fiscal year 2019.
9. For the ninth site, the City has completed a Phase I and II ESA as part of due diligence before leasing the property to be developed as an urban farm. During the reporting period, the property was entered in TCEQ VCP, the APAR was prepared and draft MSD application completed, and correspondence with TCEQ. Additional activities expected to be completed in the current period include obtaining an MSD and submitting the APAR to TCEQ. The estimated cost for this project is \$102 thousand and \$80 thousand is expected to be paid in fiscal year 2019.
10. For the tenth site, the City has completed a Phase I and II ESA as part of due diligence before leasing the property to be developed as an urban farm. During the reporting period, the property was entered in TCEQ VCP, the APAR was prepared and draft MSD application completed, and correspondence with TCEQ. Additional activities expected to be completed in the current period include obtaining an MSD and submitting the APAR to TCEQ. The estimated cost for this project is \$102 thousand and \$80 thousand is expected to be paid in fiscal year 2019.
11. For the eleventh site, the City has completed a Phase I and II ESA as part of due diligence prior to executing a lease to own agreement. Additional activities are expected to include additional investigation and reporting to TCEQ. No activities were completed in the reporting period and no activities are expected until after the property is occupied, which is still pending. The estimated cost for this project is \$26 thousand and no costs are estimated for fiscal year 2019.
12. For the twelfth site, the City has completed a Phase II ESA, additional subsurface investigation, entered the property in VCP, submitted an Affected Property Assessment Report (APAR) to TCEQ, and provided pre-construction assistance for the future park. During the reporting period, response to APAR comments was prepared and submitted to TCEQ, additional investigation completed, additional correspondence to TCEQ, soil management oversight related to park construction activities, tank removal oversight, and preparation of a Response Action Plan (RAP). Activities expected to be completed in the current period include completion of soil management support activities, submittal of a RAP, completion of release determination reports, submittal of a RACR, and obtaining closure from TCEQ. The estimated cost for this project is \$31 thousand and all is expected to be paid in fiscal year 2018. After an increase in scope of work, the estimated cost for this project is \$31 thousand and \$30 thousand is expected to be paid in fiscal year 2019.
13. For the thirteenth site, the City has completed a Phase I and II ESA as part of due diligence for this property within Love Field Airport, entered the property into VCP, and prepared an Affected Property Assessment Report (APAR). During the reporting period, the APAR was submitted to TCEQ and responses to TCEQ completed. TCEQ provided a certificate of completion. Additional activities expected to be completed in the current period include plugging existing monitor wells. The estimated cost for this project is \$5 thousand and all is expected to be paid in fiscal year 2019.
14. For the fourteenth site, the City has completed a Phase I and II ESA as part of preconstruction due diligence for Carpenter Park. Activities expected to be completed in the current period are entering the property in VCP and completing and submitting an Affected Property Assessment Report (APAR) to TCEQ. Additional TCEQ reporting is expected, but no cost estimate is available for that service at this time. The estimated cost for this project is \$33 thousand and all is expected to be paid in fiscal year 2019.
15. For the fifteenth site, the City has completed and submitted an Affected Property Assessment Report (APAR) to TCEQ for property within Love Field that is managed in the TCEQ Corrective Action Program. During the reporting period, additional investigation was completed, an amended APAR submitted, and correspondence with TCEQ. Activities expected to be completed during the current period are additional TCEQ responses and reporting. The estimated cost for this project is \$26 thousand and all is expected to be paid in fiscal year 2019.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 16. Pollution Remediation (continued)

The City is also managing environmental corrective action at one leaking petroleum storage tank sites. Activities at these sites are conducted in compliance with the rule for Underground and Aboveground Storage Tanks, TAC Ch 334:

1. For the first site, the City completed a Phase I and Phase II ESA, asbestos abatement, removal of underground storage tanks and remaining subsurface components of a hydraulic lift, product recovery, installation of additional monitor wells, groundwater monitoring, entered the site into the VCP under leaking petroleum storage tank (LPST) rules, submitted an APAR, conducted groundwater monitoring and completed a Field Activity Report. During the reporting period, Tier 2 calculations were completed and submitted to TCEQ and correspondence in an effort to obtain closure. Activities in the current period are continued correspondence with TCEQ and obtaining a certificate of completion. The estimated cost for this project is \$85 thousand, with \$5 thousand expected to be paid in fiscal year 2019.

The City is also managing testing and removal of asbestos containing materials at one site in compliance with Texas Asbestos Health Protection Rules, TAC Ch 295:

1. The City completed abatement of asbestos-containing paint on retaining walls, bent caps, and columns of two Loop 12 bridges. During the reporting period, asbestos consulting services and abatement of asbestos-containing paint was completed in fiscal year 2018. The estimated cost for this project is \$0.

The City is also managing testing and removal of asbestos containing materials at three sites in compliance with Texas Asbestos Health Protection Rules, TAC Ch 295 and OSHA Lead Exposure Rules 29 CFR 1926.62:

1. For the first site, the City completed an asbestos and lead-based paint survey as part of pre-construction activities. The structure will be renovated for City operations. During the reporting period, asbestos consulting services and abatement of asbestos containing materials and lead-based paint was completed. Additional activities completed during the current period are lead-based paint abatement and O&M plan preparation. The estimated cost for this project is \$138 thousand and all activities are expected to be completed in fiscal year 2019.
2. For the second site, the City completed supplemental asbestos and lead-based paint testing as part of pre-construction activities. The existing pool was to be demolished so that a new aquatic center could be constructed at the recreation center location. During the reporting period, supplemental asbestos and lead-based paint testing and abatement of asbestos containing materials and lead based paint was completed. The estimated cost for this project is \$12 thousand and all activities are expected to be completed in fiscal year 2019.
3. For the third site, the City completed an asbestos and lead-based paint survey as part of pre-construction activities. The structure will be renovated for City operations. During the reporting period, testing for asbestos containing materials (ACM), lead-based paint (LBP), hazardous materials, and abatement of ACM and LBP was completed. After a reduction in scope of work, all activities were completed in fiscal year 2018.

Note 17. Pension Plans

A. Plan Descriptions

The City participates in funding three single employer, contributory, defined benefit employee pension plans. Membership is a condition of employment for all full-time, permanent employees. The activities of the entities as of December 31, 2017 are reported in the City's Pension Trust Funds. Descriptions of each plan are as follows:

Employees' Retirement Fund (ERF): The legal authority for this plan is Chapter 40A of the Dallas City Code. The fund is for the benefit of all eligible employees of the City, excluding firefighters and police officers. The fund is administered by a seven member board of trustees consisting of three persons appointed by the City Council who may be council members, three employees from different departments of the City who are elected by members of the retirement fund and who are members of the retirement fund, and the City Auditor. The ERF issues a stand-alone financial report which is available at: www.dallaserf.org/recent-publications.html.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 17. Pension Plans (continued)

Dallas Police and Fire Pension System Combined Plan (Combined Plan): The legal authority for the Combined Plan is Article 6243a-1 of the Revised Civil Statutes of Texas. In 2017, changes to the plan were implemented by the passing of HB 3158. The Combined Plan is a retirement fund for police officers and firefighters employed by the City of Dallas. The system is administered by an eleven member board of trustees of the Dallas Police and Fire Pension System (DPFP System) composed of one elected from active members of the police department, one elected from active members of the fire rescue department, three elected by the nominations committee, and six appointed by the Mayor in consultation with city council. It is comprised of a single defined benefit pension plan designed to provide retirement, death, and disability benefits for firefighters and police officers (members). All active, eligible police officers and firefighters employed by the City are required to participate. The DPFP System issues a stand-alone financial report which is available at: www.dpfp.org/annualreports.html.

Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan): The legal authority for the Supplemental Plan is Subsection 35 of Chapter II of the Charter of the City of Dallas and Ordinance 14084 of 1973. The plan is administered by the board of trustees for the DPFP System. This plan includes officials in the Fire and Police Departments who hold rank higher than the highest corresponding Civil Service rank available as a result of competitive examination and who have elected participation. The Supplemental Plan issues a stand-alone financial report which is available at: www.dpfp.org/-financial-financial-reports.html.

B. Benefits provided

ERF: ERF provides retirement, disability, and death benefits to its members in accordance with Chapter 40A of the Dallas City Code. All employees of the City are members except police officers, firefighters, elected officers, non-salaried appointee members of boards or commissions, part-time employees working less than one-half time, temporary employees, individuals working under contract, and individuals whose salaries are paid in part by another government agency. The plan consists of Tier A and Tier B members.

Members hired prior to January 1, 2017 (Tier A) have vested rights to retirement benefits after five years of service or to survivor benefits after two years of service. Benefits are based on credited service and the average monthly earnings for the three highest paid calendar years. Members of the Tier A are entitled to normal retirement pension at age 60; early retirement pension at age 55 if employed prior to May 9, 1972 or age 50 and age plus years of service total 78; service retirement pension at any age after 30 years of credited service and disability retirement pension as determined by the board of trustees. Cost of living adjustments for retirees are made each year on January 1 by adjusting the pension base by the percentage change of the consumer price index, not to exceed 5 percent.

Members hired after December 31, 2016 (Tier B) have vested rights to retirement benefits after five years of service or to survivor benefits after two years of service. Benefits are based on credited service and the average monthly earnings for the five highest paid calendar years. Members of Tier B are entitled to normal retirement pension at age 65; early retirement pension with a reduced benefit prior to age 65 and age plus years of service total 80 and; service retirement pension at any age after 40 years of credited service and disability retirement pension as determined by the board of trustees. Cost of living adjustments for retirees are made each year on January 1 by adjusting the pension base by the percentage change of the consumer price index, not to exceed 3 percent.

Amendments to Chapter 40A of the Dallas City Code, other than provisions required to comply with federal law, may only be made by a proposal initiated by either the board of trustees of the ERF or the City Council which results in an ordinance approved by the board, adopted by the City Council, and approved by a majority of the voters voting at a general or special election.

Combined Plan: The Combined Plan provides comprehensive retirement, disability, and survivor benefits for the City's police officers, firefighters and their beneficiaries as authorized through Article 6243a-1 of the Revised Civil Statutes of Texas. The Combined Plan consists of Group A and Group B membership. No member elected contribution under Group A.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 17. Pension Plans (continued)

Group A members may elect to receive one of two benefit structures: Options 1 and 2. Option 1 entitles members with 20 years or more of pension service to normal monthly pension benefits beginning at age 50 equal to 50 percent of the base pay as defined as the maximum monthly civil service pay established by the City at the time of retirement plus 50 percent of the longevity pay the member was receiving at the time he or she left active service with the City or the effective date the member joined the Deferred Retirement Option Plan (DROP). Option 2 entitles members with 20 years or more of pension service to normal monthly pension benefits beginning at age 55 equal to 3 percent of the base pay computed as noted in Option 1 for each year with a maximum of 32 years. In addition, a member receives 50 percent of the longevity pay and 1/24 of any City service incentive pay the member was receiving at the time he or she left active service with the City or the effective date the member joined DROP.

Under Group B, members receive one of two benefit structures for service prior to September 6, 2017:

- Members who began membership before March 1, 2011 with 5 or more years of pension service are entitled to monthly pension benefits beginning at age 50 equal to 3 percent of the member's average Computation Pay determined over the highest 36 consecutive months of Computation Pay, multiplied by the number of years of pension service, up to a maximum of 32 years. Certain members who meet the service prerequisite may elect to take early retirement with reduced benefits starting at age 45, or earlier if the member has 20 years of pension service.
- Members who began membership after February 28, 2011 are entitled to monthly pension benefits after accruing 5 years of pension service and the attainment of age 55. Pension benefits are equal to the member's average Computation Pay determined over the highest 60 consecutive months of Computation Pay, multiplied by 2 percent for the first 20 years of service, 2.5 percent for the next five years of service, and 3 percent for years of service in excess of 25 years, and multiplied by the number of years of pension service. The member shall not accrue a monthly pension benefit that exceeds 90 percent of the member's average Computation Pay.

Under Group B, members receive the following benefits for service after September 5, 2017:

- Members with 5 or more years of pension service are entitled to monthly pension benefits beginning at age 58 equal to 2.5 percent of the member's average Computation Pay determined over the highest 60 consecutive months of Computation Pay, multiplied by the number of years of pension service. Certain members who meet the service prerequisite may elect to take early retirement with reduced benefits starting at age 53. Members may receive an ad hoc cost of living adjustment granted by the Board when the Combined Plan is 70 percent funded, and other financial benchmarks have been met. The member shall not accrue a monthly pension benefit that exceeds 90 percent of the member's average Computation Pay.

Members who are eligible to retire are allowed to enter the DROP program. The member's monthly benefit remains in a DROP account which does not accumulate interest. Upon retirement from the City, the member is able to withdraw annuitized benefits from their DROP account; however, under certain circumstances, members may be eligible to withdraw a lump sum amount. The total DROP account balance was \$1.05 billion at December 31, 2017.

The Combined Plan documents may be amended only by the Texas State legislature.

Supplemental Plan: The Supplemental Plan provides benefits designed to supplement Combined Plan Group B benefits for members holding a rank higher than the highest corresponding civil service rank because their Combined Plan benefits are capped by the definition of "considered compensation." Benefits provided by the Supplemental Plan were approved by the Dallas City Council through passage of City Ordinance 14084 of 1973 as authorized in City Charter Chapter II, Subsection 35. Employees with five or more years of service are entitled to annual pension benefits beginning at normal retirement age 50. Members receive a supplemental pension based upon the difference between compensation for the civil service position held before entrance into the Supplemental Plan and compensation while participating in the Supplemental Plan. The formula used to determine the member's Combined Plan Group B benefit is also used to determine the member's benefit under the Supplemental Plan; therefore, the same length of time is used to determine the average computation pay for both the Combined Plan and the Supplemental Plan, as well as provisions for the application for benefits. Benefits are increased by a cost of living adjustment of 4 percent of the initial benefit amount each October 1.

Members who are eligible to retire are allowed to enter the DROP program. The member's monthly benefit remains in a DROP account which does not accumulate interest. Upon retirement from the City, the member is able to withdraw annuitized benefits from their DROP account; however, under certain circumstances, members may be eligible to withdraw a lump sum amount. The total DROP account balance was \$8.1 million at December 31, 2017.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 17. Pension Plans (continued)

The Supplemental Plan document can be amended only by the City Council in accordance with City ordinance.

C. Employees covered by benefit terms

At December 31, 2017, the following numbers of employees were covered by the benefit terms:

Membership data at December 31, 2017

	ERF	Combined Plan	Supplemental Plan
Retirees and beneficiaries currently receiving benefits	7,042	4,748	139
Inactive members entitled to benefits but not yet receiving them	1,248	226	1
Current members	7,838	4,952	41
Total	<u>16,128</u>	<u>9,926</u>	<u>181</u>

D. Contributions

ERF: Chapter 40A of the Dallas City Code establishes contribution requirements. Changes to the contribution formula may only be made by a proposal initiated by either the board of trustees of the ERF or the City Council which results in an ordinance approved by the board, adopted by the City Council, and approved by a majority of the voters voting at a general or special election.

The City contributes 63 percent of the required contribution and the membership contributes 37 percent. The City's contribution rate covers both the debt service tied to the pension obligation bonds and the contributions to the Employees' Retirement Fund. Although the total contribution is actuarially determined each year, it is adjusted based on the following requirements of Chapter 40A: (1) the maximum contribution percentage of covered wages is 36 percent; (2) the maximum increase or decrease from one year to the next is 10 percent; and (3) the contribution rate changes only if the actuarial valuation develops a rate which differs from the prior rate by more than 300 basis points. The adjusted contribution as a result of Chapter 40A is the Current Adjusted Total Obligation Rate (CATOR). Contribution rates are 13.32 percent of covered wages for employees and 22.68 percent for the City for the City's fiscal year ended September 30, 2018. The City's contribution of 22.68 percent is divided into 14.40 percent cash to the Plan and 8.28 percent for debt service payments on the pension obligation bonds. For fiscal year 2018, the City contribution was \$61 million.

Combined Plan: Article 6243a-1 of the Revised Civil Statutes of the State of Texas establishes contribution requirements. The amount of the contribution percentage may be determined only by the State Legislature or by a majority vote of the voters of the City of Dallas.

Prior to September 6, 2017, the City made statutorily required contributions of 27.5 percent of total wages and salaries as defined in the Combined Plan document and Article 6243a-1. After September 1, 2017, the City contributes 34.5 percent of computation pay, with a floor for seven years, plus \$13 million per year until 2024. No member elected contribution under Group A. Group B members are required to contribute 13.5 percent of their computation pay. For fiscal year 2018, the City contribution was \$152 million.

Supplemental Plan: Ordinance 14084 of 1973 establishes contribution requirements. Changes to the contribution amounts or percentages may be made by City Council ordinance.

Members of the Supplemental Plan contribute 13.5 percent of their pay that is applicable to the Supplemental Plan. The City makes an annual contribution to the Supplemental Plan based on the results of an actuarial study. For fiscal year 2018, the City contribution was \$2.3 million.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 17. Pension Plans (continued)

F. Actuarial Assumptions

The total pension liabilities in the December 31, 2017 actuarial valuations were determined using the following actuarial assumptions for each of the plans, applied to all periods included in the measurement:

	<u>ERF</u>	<u>Combined Plan</u>	<u>Supplemental Plan</u>
Inflation	2.75%	2.75%	2.75%
Salary Increases	3.25% to 6.25%, including inflation	3.0% to 5.2%, including inflation	3.0% to 5.2%, including inflation
Investment Rate of Return	7.75%	7.25%	7.25%
Mortality	<p>For actives: Males - RP2000 Healthy Mortality Table for male employees, set forward 4 years. Females - RP2000 Healthy Mortality Table for female employees, set back 5 years. For healthy retirees: Males - RP2000 Blue Collar Mortality Table for male annuitants, with a 109% multiplier and fully generational mortality using improvement Scale BB. Females - RP2000 Blue Collar Mortality Table for female annuitants, with a 103% multiplier and fully generational mortality using improvement Scale BB. For all disabled lives: RP2000 Disabled Mortality Table for male annuitants, set forward one year.</p>	<p>For actives: Sex distinct RP-2014 Employee Mortality Table, set back two years for males, projected generationally using Scale MP-2015. For healthy retirees: RP-2014 Healthy Annuitant Mortality Table, set forward two years for females, projected generationally using Scale MP-2015. For all disabled lives: Sex distinct RP-2014 Disabled Retiree Mortality Table, set back three years for males and females, projected generationally using Scale MP-2015.</p>	<p>For actives: Sex distinct RP-2014 Employee Mortality Table, set back two years for males, projected generationally using Scale MP-2015. For healthy retirees: RP-2014 Healthy Annuitant Mortality Table, set forward two years for females, projected generationally using Scale MP-2015. For all disabled lives: Sex distinct RP-2014 Disabled Retiree Mortality Table, set back three years for males and females, projected generationally using Scale MP-2015.</p>
Cost of Living Adjustments	The percentage of change in the price index for October of the current year over October of the previous year, or the percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment. The maximum COLA for Tier A retirees is 5%, and the maximum for Tier B retirees is 3%.	Ad hoc granted by the Board when the Combined Plan is 70 percent funded, and other financial benchmarks have been met	None
Long-term expected rate of return	Estimated using a building block methodology in which best-estimate ranges of expected future real rates of return 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 return rates by the target asset allocation percentage and by adding expected inflation.	Estimated using a building block methodology in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense) 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 return rates by the target asset allocation percentage and by adding expected inflation.	Estimated using a building block methodology in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense) 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 return rates by the target asset allocation percentage and by adding expected inflation.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 17. Pension Plans (continued)

The target allocation and best estimates of arithmetic real rates of return (RROR) for each of the plans, by major asset class, are summarized in the following table:

Asset Class	ERF	
	Target Allocation	Long-term RROR
Domestic Equity	15.0%	6.50%
International equity	15.0%	6.70%
Global equity	5.0%	6.70%
Low volatility global equity	10.0%	6.70%
Private equity	5.0%	9.40%
REITS	5.0%	5.40%
Private real assets	5.0%	4.80%
Investment grade fixed income	15.0%	3.65%
High yield fixed income	12.5%	5.35%
Credit opportunities	2.5%	9.00%
MLP's	10.0%	6.10%
Total	100.0%	

Asset Class	Combined Plan		Supplemental Plan	
	Target Allocation	Long-term RROR	Target Allocation	Long-term RROR
Global equity	20%	6.54%	20%	6.54%
Emerging markets equity	5%	9.41%	5%	9.41%
Private equity	5%	10.28%	5%	10.28%
Short-term core bonds	2%	1.25%	2%	1.25%
Global bonds	3%	1.63%	3%	1.63%
High yield and bank loans	11%	7.59%	11%	7.59%
Structured credit/absolute return	6%	5.38%	6%	5.38%
Emerging markets debt	6%	4.42%	6%	4.42%
Private debt	5%	7.30%	5%	7.30%
Natural resources	5%	7.62%	5%	7.62%
Infrastructure	5%	6.25%	5%	6.25%
Real estate	12%	4.90%	12%	4.90%
Liquid real assets	3%	4.71%	3%	4.71%
Asset allocation	10%	4.90%	10%	4.90%
Cash	2%	1.06%	2%	1.03%
Total	100%		100%	

G. Discount Rate

ERF: The discount rate used to measure the total pension liability was 7.75 percent. This single discount rate was based on the expected rate of return on pension plan investments of 7.75 percent. The projection of cash flows used to determine the discount rate assumed that that (1) plan member contributions and City contributions will be made at the projected future contribution rates outlined in Chapter 40A of the Dallas City Code, under which employees contribute 37 percent of the CATOR; the City contributes 63 percent of the CATOR, reduced by the amount required to pay current debt service on the 2005 pension obligation bonds; (2) the ERF annually earns 7.75 percent on its market value of assets; and (3) the number of active members remains constant in the future. Based on those assumptions, the ERF 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 and the resulting single discount rate is 7.75 percent.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 17. Pension Plans (continued)

Combined Plan: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee and City contributions will be made according to statutorily required contributions. The fiduciary net position of the plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Supplemental Plan: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Supplemental Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

On May 31, 2017, Texas Governor Greg Abbott signed into law House Bill 3158, affecting the Dallas Police and Fire Pension System ("Pension System"). House Bill 3158 primarily amends 6243a-1, Texas Revised Statutes, including amendments to provisions concerning benefits, contributions, and governance, among other things. These changes took effect September 1, 2017 for both the Combined and Supplemental Plans

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CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 17. Pension Plans (continued)

H. Changes in the Net Pension Liability

The following table shows the net pension liabilities as of December 31, 2017.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Employees' Retirement Fund</u>			
Balances at 12/31/16	\$ 4,291,805	\$ 3,352,043	\$ 939,762
Changes for the year:			
Service cost	81,178	-	81,178
Interest	325,620	-	325,620
Changes of assumptions	-	-	-
Differences between expected and actual experience	(59,066)	-	(59,066)
Contributions - City	-	58,966	(58,966)
Contributions - Employee	-	55,175	(55,175)
Net investment income	-	413,511	(413,511)
Benefit payments, including refunds of employee contributions	(261,690)	(261,690)	-
Administrative expense	-	(5,951)	5,951
Other changes	-	207	(207)
Net Changes	<u>86,042</u>	<u>260,218</u>	<u>(174,176)</u>
Balances at 12/31/17	<u>\$ 4,377,847</u>	<u>\$ 3,612,261</u>	<u>\$ 765,586</u>
<u>Combined Plan</u>			
Balances at 12/31/16	\$ 8,450,280	\$ 2,150,662	\$ 6,299,618
Changes for the year:			
Service cost	148,552	-	148,552
Interest	348,171	-	348,171
Changes of assumptions	(2,851,241)	-	(2,851,241)
Differences between expected and actual experience	(134,665)	-	(134,665)
Contributions - City	-	126,319	(126,319)
Contributions - Employee	-	32,977	(32,977)
Net investment income	-	98,911	(98,911)
Benefit payments, including refunds of employee contributions	(296,154)	(296,154)	-
Administrative expense	-	(8,090)	8,090
Other changes	(1,167,597)	(1,280)	(1,166,317)
Net Changes	<u>(3,952,934)</u>	<u>(47,317)</u>	<u>(3,905,617)</u>
Balances at 12/31/17	<u>\$ 4,497,346</u>	<u>\$ 2,103,345</u>	<u>\$ 2,394,001</u>
<u>Supplemental Plan</u>			
Balances at 12/31/16	\$ 40,647	\$ 17,670	\$ 22,977
Changes for the year:			
Service cost	111	-	111
Interest	2,799	-	2,799
Changes of assumptions	(479)	-	(479)
Differences between expected and actual experience	(1,435)	-	(1,435)
Contributions - City	-	2,077	(2,077)
Contributions - Employee	-	66	(66)
Net investment income	-	740	(740)
Benefit payments, including refunds of employee contributions	(2,669)	(2,669)	-
Administrative expense	-	(69)	69
Other changes	(5,306)	(11)	(5,295)
Net Changes	<u>(6,979)</u>	<u>134</u>	<u>(7,113)</u>
Balances at 12/31/17	<u>\$ 33,668</u>	<u>\$ 17,804</u>	<u>\$ 15,864</u>

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 17. Pension Plans (continued)

The net pension liability for the ERF has been allocated between governmental activities and business-type activities based on the percentage of contribution by each. The net pension liability for the Combined Plan and Supplemental Plan is reported in the governmental activities. For governmental activities, the total net pension liability was \$2,911,270 and for business-type activities, \$264,170. The amount of the ERF net pension liability allocated by business-type activity is \$163,780 to Dallas Water Utilities, \$6,385 to Convention Center, \$16,190 to Airport Revenues, \$49,196 to Sanitation and \$28,620 to nonmajor funds.

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

The following table presents the net pension liability of the City, calculated using the discount rates of 7.75 percent for ERF, 7.25 percent for the Combined Plan and 7.25 percent for the Supplemental Plan, as well as what the City's net pension liability would be if it were calculated using discount rates that are 1-percentage-point lower (6.75 percent for ERF, 6.25 percent for the Combined Plan and 6.25 percent for the Supplemental Plan) or 1-percentage-point higher (8.75 percent for ERF, 8.25 percent for the Combined Plan and 8.25 percent for the Supplemental Plan) than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
ERF	\$ 1,281,029	\$ 765,586	\$ 334,560
Combined Plan	\$ 2,886,444	\$ 2,394,001	\$ 1,980,920
Supplemental Plan	\$ 18,826	\$ 15,864	\$ 13,316

J. Pension Plan Fiduciary Net Position

Detailed information about the fiduciary net position of each of the pension plans is available in the separately issued financial reports.

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

For the fiscal year ended September 30, 2018, the City recognized total pension expense of (\$891,521), \$179,454 of which was for the ERF, (\$1,066,637) for the Combined Plan, and (\$4,338) for the Supplemental Plan. At September 30, 2018, the City also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERF		Combined Plan		Supplemental Plan
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows
Differences between expected and actual experience	\$ -	\$ 73,597	\$ 151,784	\$ 160,347	\$ -
Changes of assumptions	360,589	644,888	363,596	2,803,236	-
Net difference between projected and actual earnings on pension plan investments	-	14,442	300,366	-	2,241
Contributions subsequent to the measurement date	46,192	-	115,096	-	2,275
Total deferred outflows/inflows	<u>\$ 406,781</u>	<u>\$ 732,927</u>	<u>\$ 930,842</u>	<u>\$ 2,963,583</u>	<u>\$ 4,516</u>

Deferred outflows of resources reported in the amounts of \$46,192, \$115,096 and \$2,275 related to pension contributions in the ERF, Combined Plan and Supplemental Plan made subsequent to the measurement date will be recognized as a reduction of the net pension liability during the fiscal year ending September 30, 2019. Deferred outflows and inflows of resources reported in the amount of \$2,517,938 related to pensions will be recognized in pension expense as shown on the following page.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 17. Pension Plans (continued)

Year ending 9/30:	ERF	Combined Plan	Supplemental Plan
2019	\$ 20,961	\$ (221,532)	\$ 1,217
2020	(238,823)	(296,802)	783
2021	(119,500)	(644,544)	137
2022	(34,976)	(487,312)	104
2023	-	(497,651)	-
Total	<u>\$ (372,338)</u>	<u>\$ (2,147,841)</u>	<u>\$ 2,241</u>

Note 18. Commitments and Contingencies

A. Pending Lawsuits and Claims

Various claims and lawsuits are pending against the City and its officers and employees acting in their official capacities (hereafter collectively "City" for purposes of Note 18 A). Those lawsuits and claims, excluding condemnation proceedings, which are considered "probable" and estimable are accrued as a liability, while those claims and judgments, excluding condemnation proceedings, which are considered "reasonably possible" are disclosed but not accrued.

In the opinion of the City Attorney, the potential loss resulting from all material pending lawsuits and claims, excluding condemnations proceedings, which are considered reasonably possible and estimable, is approximately \$1.16 billion as of September 30, 2018. Additionally, the City is a defendant in two lawsuits filed by police and fire-rescue officers alleging that current and past police and fire pay schedules were adopted in violation of a referendum approved by the voters in 1979. The two lawsuits, which are class actions are pending in Rockwall County. In August 2018, the City Council approved a settlement of the two Rockwall County lawsuits in the amount of \$173.3 million provided that the parties can mutually agree to the terms of the written settlement agreement.

At September 30, 2018, approximately \$182.4 million, including the \$173.3 million discussed in the previous paragraph, has been accrued in the Risk Fund as a liability for pending material claims and lawsuits, excluding condemnation proceedings, considered to be probable. In the opinion of the City Attorney, this is the total amount of all such pending claims and lawsuits which represent probable loss to the City.

B. Commitments and Loss Contingencies

The City participates in a number of federally assisted and state grant programs, principally the Community Development Block Grant, Women, Infants and Children, and HOME Programs. The programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of the expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amount, if any, to be immaterial.

The City has several major construction projects planned or in progress as of September 30, 2018. These projects are evidenced by contractual commitments and include the following: \$465 million for General Purpose Capital Improvements and \$409 million for Water Utilities Capital Improvements.

As discussed in note 2.B., Budgets and Budgetary Basis of Accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability, and to facilitate effective cash planning and control. As of September 30, 2018, the amount of encumbrances expected to be honored upon performance by the vendor in a subsequent year were as follows:

	Encumbrance Amount
General fund	\$ 20,727
Nonmajor governmental funds	491,230
Total	<u>\$ 511,957</u>

CITY OF DALLAS, TEXAS
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September 30, 2018

Note 19. Dallas Water Utilities Prepaid Escrow

On October 1, 1981, the City of Dallas purchased water supply rights for Lake Fork, a water source owned and operated by the Sabine River Authority (Authority), for approximately \$117 million. Lake Fork is located on Lake Fork Creek, a tributary of the Sabine River, in Wood, Hopkins, and Rains Counties, approximately 70 miles east of the City of Dallas. Financial obligations of the City's share of Lake Fork water supply rights were fully paid as of December 2004. The City now has a contract with the Authority for 74 percent of the water available from Lake Fork.

The City was required to pay the Authority for a pro rata share of the operation and maintenance costs associated with Lake Fork, which was approximately \$10.9 million in the fiscal year ended September 30, 2018. The pro rata share of the operation and maintenance costs owed to the Authority for the renewal of the Lake Fork contract was to be mutually negotiated with the Authority pursuant to the terms of the contract. Negotiation attempts with the Authority failed and in October 2014, the Authority unilaterally established a rate which would require the City to pay approximately an additional \$24 million annually for the water to which it is entitled. The City challenged the rate by filing petitions with the Public Utilities Commission of Texas (PUC) and district courts in Travis and Orange counties in Texas. The PUC ordered an administrative law judge to consider setting an interim rate while this dispute was pending.

On April 2, 2015, the administrative law judge ruled that the interim rate must be paid by the City of Dallas until the rate case was resolved. The rate was set by the Authority on a take-or-pay basis, without a cost escalator. This interim rate was retroactive to November 2, 2014. The amounts the City paid in accordance with the interim rate were expensed and deposited into an interest-bearing escrow account, established by the Authority, pending the final outcome of the rate case.

A settlement agreement was approved by City Council on October 11, 2017 and by the Authority Board of Directors on October 12, 2017.

The interest-bearing escrow account balance was \$68.7 million on September 30, 2017. Terms of the settlement agreement required that \$23.4 million be paid immediately from the escrow account as additional compensation to the Authority for the period November 2, 2014 through September 30, 2017. The remaining escrow amount of \$45.3 million at September 30, 2017, plus the accrued September escrow contribution of \$2 million (total \$47.3 million) will be used to offset future payments of additional compensation by the City to the Authority, until the escrow account balance is depleted, and has been recorded as Prepaid Escrow on the statement of net position. The escrow balance was \$39.7 million on September 30, 2018. The remaining balance is estimated to be fully depleted in five to six years.

Note 20. Other Postemployment Benefits

A. Plan Description

In addition to pension benefits, the City provides certain healthcare and life insurance benefits for retired employees through various Council resolutions. The postemployment benefit plan is a single-employer plan administered by Cigna (pre-65 retirees) and UHC (post-65 retirees utilizing Medicare). Employees who are permanent, full-time employees are eligible to participate in the benefits at retirement. The City is self-insured for these programs. The City eliminated subsidization of the plan for individuals hired on or after January 1, 2010. No assets are accumulated in a trust that meets the criteria in GASB Statement 75.

B. Benefits Provided

For retired employees hired before January 1, 2010, the City pays on average \$508 (not in thousands) per month. The plan is closed to employees hired January 1, 2010 and thereafter. For pre-Medicare retirees who qualify and choose the City health plan, the City pays approximately 50 percent of the actuarial cost and the retiree pays the other 50 percent. Spouses of retirees, like active employees, pay 100 percent of premiums. There were 4,662 retired participants and surviving spouses in the health plan at September 30, 2018, the latest data used for this evaluation. Post-Medicare retirees are offered the active plans but must pay the full cost of coverage; alternatively, they are also offered several Medicare supplement plans along with a Medicare Part D prescription drug plan. The City subsidizes the Medicare supplement plans for the retirees but does not subsidize the dependent cost.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 20. Other Postemployment Benefits (continued)

C. Employees Covered by Benefit Terms

At September 30, 2018, membership was as follows:

Inactive employees or beneficiaries currently receiving benefit payments	4,662
Active employees	5,786
Total participants	10,448

D. Total OPEB Liability

The City's total OPEB liability of \$511,120 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	Police: 5.20% in service year 1 decreasing to 3.0% in service years 12 and beyond Fire: 5.20% in service year 1 decreasing to 3.0% in service years 16 and beyond Non-Uniformed: 6.25% in service year 1 decreasing to 3.25% in service years 19 and beyond
Discount Rate	3.83%, based on the 20-year yield for tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher
Mortality	Uniform (pre-retirement): RP-2014 Employee Mortality Table for male employees, set back 2 years, and projected using Scale MP-2015. Uniform (health annuitants): RP-2017 Blue Collar Healthy Annuitant Mortality Table, set forward two years for females and projected using Scale MP-2015 Non-Uniformed (pre-retirement): RP-2000 Healthy Mortality Table, males set forward 4 years, females back 5 years; no improvement Non-Uniformed (post-retirement): RP-2000 Blue Collar Healthy Mortality Table with 109% multiplier for males and 103% multiplier for females; projected improvement using Scale BB.
Healthcare Cost Trend Rates	Pre-65 Trend: 7.20% for fiscal year 2019 (from SegalSurvey) and trending down to an ultimate 4.29% using the Getzen model. Post-65 Trend: 5.40% for fiscal year 2019 (from SegalSurvey) and trending down to an ultimate 4.29% using the Getzen model.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to December 31, 2014, plus assumption changes included in the September 30, 2018 valuation.

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 20. Other Postemployment Benefits (continued)

F. Changes to the Total OPEB Liability

	Total OPEB Liability
Balance at September 30, 2017	\$ 518,801
Changes for the year:	
Service cost	14,817
Interest	18,420
Differences between expected and actual experience	6,669
Changes of assumptions	(26,244)
Benefit payments	(21,343)
Net Changes	(7,681)
Balances at September 30, 2018	\$ 511,120

Changes of assumptions reflect an increase in the discount rate from 3.50 percent to 3.83 percent.

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the City, calculated using the discount rate of 3.83 percent, as well as what the City's total OPEB liability would be if it were calculated using discount rates that are 1-percentage-point lower (2.83 percent) or 1-percentage-point higher (4.83 percent) than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 597,268	\$ 511,120	\$ 442,464

H. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 8.2 percent decreasing to 4.3 percent, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.2 percent decreasing to 3.3 percent) or 1-percentage-point higher (9.2 percent decreasing to 5.3 percent) than the current rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 439,256	\$ 511,120	\$ 603,273

CITY OF DALLAS, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

Note 20. Other Postemployment Benefits (continued)

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2018, the City recognized total OPEB expense of \$29,321. At September 30, 2018, the City also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 5,334	\$ -
Changes of assumptions	-	20,995
Total deferred outflows/inflows	\$ 5,334	\$ 20,995

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending 9/30:</u>	<u>OPEB Expense</u>
2019	\$ 3,915
2020	3,915
2021	3,915
2022	3,916
Total	\$ 15,661

Note 21. Subsequent Events

From October 1, 2018 through the date of the independent auditors' report, the City issued \$35.7 million in Dallas Water Utilities commercial paper notes, with an average interest rate of 1.7%.

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CITY OF DALLAS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
Last Four Fiscal Years
(Dollar amounts in thousands)

	2018			2017		
	ERF	DPFP - Combined Plan	DPFP - Supplemental Plan	ERF	DPFP - Combined Plan	DPFP - Supplemental Plan
Total Pension Liability						
Service cost	\$ 81,178	\$ 148,552	\$ 111	\$ 133,457	\$ 167,432	\$ 70
Interest	325,620	348,171	2,799	305,826	360,567	2,911
Changes of assumptions	-	(2,851,241)	(479)	(1,227,079)	(712,004)	(917)
Differences between expected and actual experience	(59,066)	(134,665)	(1,435)	(38,327)	(77,463)	1,106
Plan changes	-	(1,167,597)	(5,306)	-	-	-
Benefit payments, including refunds	(261,690)	(296,154)	(2,669)	(249,639)	(825,092)	(5,912)
Net change	86,042	(3,952,934)	(6,979)	(1,075,762)	(1,086,560)	(2,742)
Total Pension Liability, Beginning	4,291,805	8,450,280	40,647	5,367,567	9,536,840	43,389
Total Pension Liability, Ending ^(a)	4,377,847	4,497,346	33,668	4,291,805	8,450,280	40,647
Plan Fiduciary Net Position						
Contributions - City	58,966	126,318	2,077	56,130	119,345	3,064
Contributions - Employee	55,175	32,977	66	53,436	25,518	35
Net investment income	413,510	98,911	740	294,918	164,791	1,141
Benefit payments, including refunds	(261,690)	(296,154)	(2,669)	(249,639)	(825,092)	(5,912)
Administrative expense	(5,951)	(8,089)	(69)	(5,343)	(9,492)	(78)
Other changes	207	(1,280)	(11)	333	(4,532)	(37)
Net change	260,217	(47,317)	134	149,835	(529,462)	(1,787)
Plan Fiduciary Net Position, Beginning	3,352,043	2,150,662	17,670	3,202,208	2,680,124	19,457
Plan Fiduciary Net Position, Ending ^(b)	3,612,260	2,103,345	17,804	3,352,043	2,150,662	17,670
City's Net Pension Liability ^{(a) - (b)}	\$ 765,587	\$ 2,394,001	\$ 15,864	\$ 939,762	\$ 6,299,618	\$ 22,977
Plan Fiduciary Net Position as a percentage of Total Pension Liability	83%	47%	53%	78%	25%	43%
Covered payroll	\$ 421,269	\$ 346,037	\$ 916	\$ 409,433	\$ 357,414	\$ 525
City's Net Pension Liability as a percentage of covered payroll	182%	692%	1732%	230%	1763%	4377%

2016			2015		
ERF	DPFP - Combined Plan	DPFP - Supplemental Plan	ERF	DPFP - Combined Plan	DPFP - Supplemental Plan
\$ 78,020	\$ 125,441	\$ 36	\$ 62,065	\$ 131,312	\$ 28
313,850	359,023	2,953	290,948	369,408	2,969
1,238,431	908,988	(601)	292,137	-	-
(26,829)	379,461	929	(21,967)	(4,453)	336
-	-	-	-	(329,794)	(526)
<u>(239,960)</u>	<u>(285,003)</u>	<u>(2,640)</u>	<u>(230,243)</u>	<u>(245,932)</u>	<u>(3,415)</u>
1,363,512	1,487,910	677	392,940	(79,459)	(608)
4,004,055	8,048,930	42,712	3,611,115	8,128,389	43,320
<u>5,367,567</u>	<u>9,536,840</u>	<u>43,389</u>	<u>4,004,055</u>	<u>8,048,930</u>	<u>42,712</u>
50,721	114,886	2,443	45,833	109,792	1,817
50,742	25,676	43	46,536	29,333	49
(53,344)	(235,338)	(1,690)	207,992	(138,893)	(517)
(239,960)	(285,003)	(2,640)	(230,243)	(245,932)	(3,415)
(4,598)	(8,417)	(61)	(4,150)	(8,003)	(56)
162	(5,875)	(43)	157	(7,361)	(51)
<u>(196,277)</u>	<u>(394,071)</u>	<u>(1,948)</u>	<u>66,125</u>	<u>(261,064)</u>	<u>(2,173)</u>
3,398,485	3,074,195	21,405	3,332,360	3,335,259	23,578
<u>3,202,208</u>	<u>2,680,124</u>	<u>19,457</u>	<u>3,398,485</u>	<u>3,074,195</u>	<u>21,405</u>
<u>\$ 2,165,359</u>	<u>\$ 6,856,716</u>	<u>\$ 23,932</u>	<u>\$ 605,570</u>	<u>\$ 4,974,735</u>	<u>\$ 21,307</u>
60%	28%	45%	85%	38%	50%
\$ 393,186	\$ 365,210	\$ 725	\$ 353,650	\$ 383,006	\$ 557
551%	1877%	3301%	171%	1299%	3825%

CITY OF DALLAS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS TO PENSION PLANS
Last Ten Fiscal years
(Dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employees Retirement Fund				
Actuarially determined contribution	\$ 91,977	\$ 88,547	\$ 81,838	\$ 68,100
Contributions in relation to the actuarially determined contribution	\$ 60,589	\$ 58,045	\$ 56,987	\$ 49,135
Contribution deficiency (excess)	\$ 31,388	\$ 30,502	\$ 24,851	\$ 18,965
Covered payroll	\$ 420,754	\$ 405,062	\$ 389,706	\$ 376,421
Contributions as a percentage of covered payroll	14%	14%	15%	13%
Dallas Police and Fire Pension - Combined Plan				
Actuarially determined contribution	\$ 157,997	\$ 202,167	N/A	N/A
Contributions in relation to the actuarially determined contribution	\$ 151,850	\$ 120,351	N/A	N/A
Contribution deficiency (excess)	\$ 6,147	\$ 81,816	N/A	N/A
Statutorily required contribution	N/A	N/A	\$ 118,508	\$ 113,026
Contributions in relation to the statutorily required contribution	N/A	N/A	\$ 118,508	\$ 113,026
Contribution deficiency (excess)	N/A	N/A	\$ -	\$ -
Covered payroll	\$ 348,011 (1)	\$ 427,867	\$ 432,082	\$ 414,373
Contributions as a percentage of covered payroll	44%	28%	27%	27%
Dallas Police and Fire Pension - Supplemental Plan				
Actuarially determined contribution	\$ 2,274	\$ 2,087	\$ 3,064	\$ 2,443
Contributions in relation to the actuarially determined contribution	\$ 2,274	\$ 2,087	\$ 3,064	\$ 2,443
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 916	\$ 525	\$ 725	\$ 556
Contributions as a percentage of covered payroll	248%	398%	423%	439%

(1) Beginning in September 2017, the Texas House Bill 3158 required that contributions to the Plan be based on computation pay. Per the House Bill, computation pay is based on the biweekly rate of pay of a member, educational incentive pay, longevity pay, and city service incentive pay. Overtime, assignment pay, and lump sum payments are not included.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 62,756	\$ 54,289	\$ 37,822	\$ 32,865	\$ 34,793	\$ 18,995
\$ 44,816	\$ 35,515	\$ 28,917	\$ 27,303	\$ 27,668	\$ 24,604
\$ 17,940	\$ 18,774	\$ 8,905	\$ 5,562	\$ 7,125	\$ (5,609)
\$ 357,887	\$ 336,483	\$ 317,551	\$ 318,408	\$ 345,819	\$ 374,395
13%	11%	9%	9%	8%	7%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ 108,268	\$ 105,753	\$ 102,431	\$ 106,633	\$ 109,211	\$ 106,868
\$ 108,268	\$ 105,753	\$ 102,431	\$ 106,633	\$ 109,211	\$ 106,868
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 378,000	\$ 361,000	\$ 349,000	\$ 365,000	\$ 367,000	\$ 362,000
29%	29%	29%	29%	30%	30%
\$ 1,817	\$ 1,936	\$ 1,954	\$ 1,543	\$ 1,444	\$ 1,344
\$ 1,817	\$ 1,936	\$ 1,954	\$ 1,543	\$ 1,444	\$ 1,344
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 521	\$ 450	\$ 621	\$ 886	\$ 1,044	\$ 1,043
349%	430%	315%	174%	138%	129%

CITY OF DALLAS, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULE OF CITY CONTRIBUTIONS TO PENSION PLANS
 Last 10 Fiscal Years

Employees' Retirement Fund		12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11	12/31/10	12/31/09	12/31/08
Valuation date	The actuarially determined contribution rate is effective October 1 after the valuation date.										
Timing	Entry age normal.										
Actuarial cost method	30-year open amortization period level percentage of payroll. The City ordinance authorizing the plan specifies that the rate may not change from year-to-year if the calculated rate is less than 300 basis points different from the current rate.										
Amortization method	5-year smoothed market value of assets.										
Asset valuation method	3-year smoothed market value of assets.										
Inflation	2.75%	3%									
Salary increases	3.25% to 6.25%, including inflation	3.5% to 7%, including inflation									
Discount rate	7.75%	8.25%									
Cost of Living Adjustment	The greater of (a) the percentage of change in the price index for October of the current year over October of the previous year, up to 5%, or (b) the average change in the price index, for the 12-month period ending with the effective date of the adjustment. The maximum change per year is 5% for Tier A and 3% for Tier B members.										
Mortality	<p>For actives: Males - RP2000 Healthy Mortality Table for male employees, set forward 4 years.</p> <p>For healthy retirees: Males - RP2000 Healthy Mortality Table for male annuitants, projected to 2007 using mortality improvement scale BB, set forward two years.</p> <p>For all disabled lives: Males - RP2000 Blue Collar Healthy Mortality Table for male annuitants, with a 109% multiplier and fully generational mortality using improvement scale BB</p> <p>Females - RP2000 Blue Collar Healthy Mortality Table for male annuitants, with a 109% multiplier and fully generational mortality using improvement scale BB</p> <p>For all disabled lives: RP2000 Disabled Mortality Table for male annuitants, set forward one year.</p>	<p>For actives: Males - RP2000 Healthy Mortality Table for male employees, set forward 4 years.</p> <p>For healthy retirees: Males - RP2000 Healthy Mortality Table for male annuitants, projected to 2007 using mortality improvement scale BB, set forward two years.</p> <p>For all disabled lives: RP2000 Disabled Mortality Table for male annuitants, set forward one year.</p>	<p>For actives: Males - RP2000 Healthy Mortality Table for male employees, set forward 4 years.</p> <p>For healthy retirees: Males - RP2000 Healthy Mortality Table for male annuitants, projected to 2007 using mortality improvement scale AA, set forward two years.</p> <p>For all disabled lives: RP2000 Disabled Mortality Table for male annuitants, set forward one year.</p>	<p>For actives: Males - 1994 Uninsured Pension Mortality Table for males, base table rates multiplied by 87%.</p> <p>For healthy retirees: Males - 1994 Uninsured Pension Mortality Table for males, base table rates multiplied by 125%.</p> <p>For all disabled lives: 1965 Railroad Retirement Board Disabled Annuitants Mortality Table (without select rates). For females, the rates are multiplied by 60%.</p>							

CITY OF DALLAS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CITY CONTRIBUTIONS TO PENSION PLANS (Continued)
Last 10 Fiscal Years

	1/1/2018	01/01/17	01/01/16	01/01/15	01/01/14	01/01/13	01/01/12	01/01/11	01/01/10	01/01/09
Dallas Police and Fire Pension - Combined Plan										
Valuation date	1/1/2018	01/01/17	01/01/16	01/01/15	01/01/14	01/01/13	01/01/12	01/01/11	01/01/10	01/01/09
Timing	The actuarially determined contribution is included in the report for informational purposes only, beginning in January 1, 2017.									
Actuarial cost method	Entry age normal.									
Amortization method	Level percentage of payroll.									
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.									
Inflation	2.75%									
Salary increases	3.0% to 5.2%, including inflation.	2.75%								
Discount rate	7.25%	7.25%								
Cost of Living Adjustment	Ad hoc granted by the Board when the Plan is 7 percent funded and other financial benchmarks have been met.									
Mortality	<p>For actives: Sex distinct RP-2014 Employee Mortality Table, set back two years for males, projected generationally using Scale MP-2015.</p> <p>For healthy retirees: RP-2014 Healthy Annuitant Mortality Table, set forward two years for females, projected generationally using Scale MP-2015.</p> <p>For all disabled lives: Sex distinct RP-2014 Disabled Retiree Mortality Table, set back three years for males and females; projected generationally using Scale MP-2015.</p>									
Dallas Police and Fire Pension - Supplemental Plan										
Valuation date	1/1/2018	01/01/17	01/01/16	01/01/15	01/01/14	01/01/13	01/01/12	01/01/11	01/01/10	01/01/09
Timing	The actuarially determined contribution is due September 30 after the valuation date.									
Actuarial cost method	Entry age normal.									
Amortization method	Level percentage of payroll.									
Asset valuation method	Market value of assets.									
Inflation	2.75%	4%								
Salary increases	3.0% to 5.2%, including inflation.	2.75%								
Discount rate	7.25%	8.50%								
Cost of Living Adjustment	None									
Mortality	<p>For actives: Sex distinct RP-2014 Employee Mortality Table, set back two years for males, projected generationally using Scale MP-2015.</p> <p>For healthy retirees: RP-2014 Healthy Annuitant Mortality Table, set forward two years for females, projected generationally using Scale MP-2015.</p> <p>For all disabled lives: Sex distinct RP-2014 Disabled Retiree Mortality Table, set back three years for males and females, projected generationally using Scale MP-2015.</p>									
				1994 Group Annuity Mortality Table for males and females; set back one year for males and females.						



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CITY OF DALLAS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL LIABILITY
AND RELATED RATIOS

Other Postemployment Benefits

Year Ended September 30, 2018

(in thousands)

		2018*
Total OPEB Liability		
Service cost	\$	14,817
Interest		18,420
Changes of assumptions		(26,244)
Differences between expected and actual experience		6,669
Benefit payments		(21,343)
Net change		(7,681)
Total OPEB Liability, Beginning		518,801
Total OPEB Liability, Ending	\$	511,120
Covered payroll	\$	877,768
Total OPEB Liability as a Percentage of Covered Employee Payroll		58%

* Prior year information was not available.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Community Development Fund – to account for funds received by the City of Dallas pursuant to the Community Development Act of 1974, as amended, and grant funds for community development type programs.

Health and Human Services Fund – to account for private and grant funds received for public health and human services programs.

Library Fund – to account for private and grant funds received for acquisition of library materials and expansion of library services.

Police Fund – to account for private and grant funds received for crime prevention and law enforcement programs.

Recreation Fund – to account for private and grant funds received for summer recreation and other recreation programs.

Transportation Fund – to account for private and grant funds received for transportation studies and construction.

Management Improvement Fund – to account for private and grant funds received for management productivity improvements.

Public Improvement Districts Fund – to account for special assessments restricted for public improvement districts.

Storm Water Operations Fund – to account for the administration and operational activities of the Storm Water Program. Financing is provided by a Storm Water fee.

Municipal Fund – to account for private contributions restricted to the provision of various employee and citizen municipal purposes.

General Citizen Fund – to account for private contributions restricted to the provision of various general governmental projects.

Arts and Cultural Fund – to account for private contributions restricted for the financing arts and cultural activities.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned for capital outlays, including the acquisition or construction of capital facilities and other capital assets which are not financed by Enterprise Funds, Internal Service Funds, and Trust Funds.

Neighborhood Projects – to account for construction of neighborhood facilities and paving projects.

Parks – to account for construction of parks, playgrounds, and recreational facilities.

Streets and Drainage – to account for construction of streets and storm sewers.

Buildings – to account for construction of City-owned buildings

Transportation – to account for construction of traffic signals and controls.

NONMAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs that is, for the benefit of the government or its citizenry.

Samuell Park – to account for the private donation by Dr. W.W. Samuell. The income from this fund is restricted to the operation and improvement of Samuell Park.

Grauwylers Memorial – to account for the private donation by Mrs. Emma H. Grauwylers. The income from the trust is to be used to improve and beautify Grauwylers Park.

Craddock Park – to account for the private donation by Mr. and Mrs. L. Craddock. The earnings from the trust are to be used for improving and maintaining Craddock Park.

Martin Weiss Park – to account for the private donations by Mr. and Mrs. Martin Weiss, the earnings from which are restricted to the use for further improvements of the Martin Weiss Park.

Hale Davis – to account for private donations by Hale Davis, restricted for municipal purposes.

CITY OF DALLAS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018
(in thousands)

	Special Revenue				
	Community Development	Health and Human Services	Library	Police	Recreation
Assets					
Pooled cash and cash equivalents	\$ 8,275	\$ -	\$ 1,965	\$ 6,995	\$ 28,273
Other investments, at fair value	-	-	992	-	-
Receivables:					
Notes	37,869	-	-	-	43
Special assessments-paving notes	-	-	-	-	-
Accounts	173	-	9	172	35
Accrued interest	12	1	8	27	357
Allowance for uncollectible accounts	(10,090)	-	-	-	(3)
Due from other governments	7,399	5,253	98	7,015	-
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Notes receivable from other funds	-	-	-	-	-
Total assets	<u>43,638</u>	<u>5,254</u>	<u>3,072</u>	<u>14,209</u>	<u>28,705</u>
Liabilities, deferred inflows, and fund balances					
Liabilities					
Accrued payroll	61	115	1	57	1
Accounts payable	1,425	402	159	1,680	137
Due to other governments	-	-	-	-	-
Due to other funds	-	4,697	-	-	-
Unearned revenue	379	-	-	79	87
Construction accounts payable	-	-	-	-	-
Notes payable to other funds	-	-	-	-	5,637
Customer deposits	-	-	-	-	12
Contracts payable	-	-	-	-	-
Other liabilities	752	-	41	79	57
Total liabilities	<u>2,617</u>	<u>5,214</u>	<u>201</u>	<u>1,895</u>	<u>5,931</u>
Deferred inflows of resources					
Unavailable revenue	28,090	-	-	-	132
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	12,931	40	2,871	12,314	-
Committed	-	-	-	-	22,642
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>12,931</u>	<u>40</u>	<u>2,871</u>	<u>12,314</u>	<u>22,642</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 43,638</u>	<u>\$ 5,254</u>	<u>\$ 3,072</u>	<u>\$ 14,209</u>	<u>\$ 28,705</u>

Transportation	Management Improvement	Public Improvement Districts	Storm Water Operations	Municipal	General Citizen	Arts and Cultural	Total Nonmajor Special Revenue Funds
\$ 11,492	\$ 16,781	\$ 1,197	\$ 50,086	\$ 32,659	\$ 2,883	\$ 3,903	\$ 164,509
-	-	-	-	-	-	2,191	3,183
-	-	-	-	10,593	-	-	48,505
-	-	-	-	-	-	-	-
11,629	573	1,597	9,326	554	-	-	24,068
54	40	-	33	69	6	12	619
(8,264)	-	(84)	(4,437)	(3,118)	-	-	(25,996)
1,024	1,858	-	-	123	-	-	22,770
-	-	-	-	256	-	-	256
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>15,935</u>	<u>19,252</u>	<u>2,710</u>	<u>55,008</u>	<u>41,136</u>	<u>2,889</u>	<u>6,106</u>	<u>237,914</u>
-	-	-	167	45	39	-	486
31	648	-	1,137	77	-	50	5,746
-	1	-	-	2,125	-	-	2,126
-	-	-	-	-	-	-	4,697
-	27	-	-	92	-	-	664
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,637
-	-	-	-	-	-	-	12
-	-	-	-	-	-	-	-
30	216	2,599	134	-	7	-	3,915
<u>61</u>	<u>892</u>	<u>2,599</u>	<u>1,438</u>	<u>2,339</u>	<u>46</u>	<u>50</u>	<u>23,283</u>
<u>2,266</u>	<u>-</u>	<u>-</u>	<u>2,434</u>	<u>1,031</u>	<u>-</u>	<u>-</u>	<u>33,953</u>
-	-	-	-	-	-	-	-
13,608	18,360	111	51,136	37,766	2,843	6,056	158,036
-	-	-	-	-	-	-	22,642
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>13,608</u>	<u>18,360</u>	<u>111</u>	<u>51,136</u>	<u>37,766</u>	<u>2,843</u>	<u>6,056</u>	<u>180,678</u>
<u>\$ 15,935</u>	<u>\$ 19,252</u>	<u>\$ 2,710</u>	<u>\$ 55,008</u>	<u>\$ 41,136</u>	<u>\$ 2,889</u>	<u>\$ 6,106</u>	<u>\$ 237,914</u>

continued

CITY OF DALLAS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
September 30, 2018
(in thousands)

	Capital Projects					Total Nonmajor Capital Project Funds
	Neighborhood Projects	Parks	Streets and Drainage	Building	Trans- portation	
Assets						
Pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other investments, at fair value	-	11	3,512	2	-	3,525
Receivables:						
Notes	15,586	-	-	1,500	-	17,086
Special assessments-paving notes	-	-	5,685	-	-	5,685
Accounts	137	-	-	17,920	1,004	19,061
Accrued interest	289	51	403	161	911	1,815
Allowance for uncollectible accounts	(11,608)	-	(5,129)	(1,500)	-	(18,237)
Due from other governments	-	1,200	-	5,196	11,860	18,256
Due from other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Restricted cash and cash equivalents	129,032	20,553	182,190	46,538	396,055	774,368
Notes receivable from other funds	-	-	4,161	-	-	4,161
Total assets	133,436	21,815	190,822	69,817	409,830	825,720
Liabilities, deferred inflows, and fund balances						
Liabilities						
Accrued payroll	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Due to other funds	336	-	-	44	-	380
Unearned revenue	-	151	-	98	13,702	13,951
Construction accounts payable	1,287	1,294	4,834	2,292	4,053	13,760
Notes payable to other funds	4,491	-	-	-	-	4,491
Customer deposits	-	-	9	57	-	66
Contracts payable	22,307	7,434	20,421	16,767	14,310	81,239
Other liabilities	-	-	-	-	-	-
Total liabilities	28,421	8,879	25,264	19,258	32,065	113,887
Deferred inflows of resources						
Unavailable revenue	3,979	-	640	-	-	4,619
Fund balances						
Nonspendable	-	-	-	-	-	-
Restricted	101,036	12,936	164,918	50,559	377,765	707,214
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	101,036	12,936	164,918	50,559	377,765	707,214
Total liabilities, deferred inflows, and fund balance	\$ 133,436	\$ 21,815	\$ 190,822	\$ 69,817	\$ 409,830	\$ 825,720

CITY OF DALLAS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (continued)
September 30, 2018
(in thousands)

	Permanent Funds					Total Permanent Funds	Total Nonmajor Governmental Funds
	Samuell Park	Grauwylor Memorial	Craddock Park	Martin Weiss Park	Hale Davis		
Assets							
Pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,509
Other investments, at fair value	8,405	118	1,085	104	390	10,102	16,810
Receivables:							
Notes	-	-	-	-	-	-	65,591
Special assessments-paving notes	-	-	-	-	-	-	5,685
Accounts	-	-	-	-	-	-	43,129
Accrued interest	-	-	-	-	-	-	2,434
Allowance for uncollectible accounts	-	-	-	-	-	-	(44,233)
Due from other governments	-	-	-	-	-	-	41,026
Due from other funds	-	-	-	-	-	-	256
Prepaid expenses	-	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	774,368
Notes receivable from other funds	-	-	-	-	-	-	4,161
Total assets	8,405	118	1,085	104	390	10,102	1,073,736
Liabilities, deferred inflows, and fund balances							
Liabilities							
Accrued payroll	-	-	-	-	-	-	486
Accounts payable	-	-	-	-	-	-	5,746
Due to other governments	-	-	-	-	-	-	2,126
Due to other funds	-	-	-	-	-	-	5,077
Unearned revenue	-	-	-	-	-	-	14,615
Construction accounts payable	-	-	-	-	-	-	13,760
Notes payable to other funds	-	-	-	-	-	-	10,128
Customer deposits	-	-	-	-	-	-	78
Contracts payable	-	-	-	-	-	-	81,239
Other liabilities	-	-	-	-	-	-	3,915
Total liabilities	-	-	-	-	-	-	137,170
Deferred inflows of resources							
Unavailable revenue	-	-	-	-	-	-	38,572
Fund balances							
Nonspendable	8,405	118	1,085	104	390	10,102	10,102
Restricted	-	-	-	-	-	-	865,250
Committed	-	-	-	-	-	-	22,642
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	8,405	118	1,085	104	390	10,102	897,994
Total liabilities, deferred inflows, and fund balance	\$ 8,405	\$ 118	\$ 1,085	\$ 104	\$ 390	\$ 10,102	\$ 1,073,736

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018
(in thousands)

	Special Revenue				
	Community Development	Health and Human Services	Library	Police	Recreation
Revenues:					
Ad valorem tax	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing, intergovernmental	-	-	-	-	-
Franchise fees	-	-	-	-	-
Intergovernmental	25,706	15,759	122	13,595	32
Customer charges	-	-	-	-	-
Service to others	4,089	-	12	-	3,782
Fines and forfeitures	-	1	-	240	-
Investment income	64	8	35	108	312
Special assessments	-	-	-	-	-
Contributions and gifts	29	543	350	183	1,328
Confiscated money awards	-	-	-	4,063	-
Other revenues	6,630	-	-	39	-
Total revenues	<u>36,518</u>	<u>16,311</u>	<u>519</u>	<u>18,228</u>	<u>5,454</u>
Expenditures:					
Current					
General government	6,245	-	-	-	-
Public safety	-	-	-	11,761	-
Code enforcement	-	41	-	-	-
Environmental and health services	-	16,650	-	-	-
Streets, public works, and transportation	158	-	-	-	-
Equipment and building services	-	-	-	-	-
Culture and recreation	399	-	209	-	2,827
Human services	19,325	-	-	-	-
Debt service:					
Principal	1,996	-	-	-	-
Interest and fiscal charges	774	-	-	-	242
Capital outlay	1,602	52	288	4,568	705
Total expenditures	<u>30,499</u>	<u>16,743</u>	<u>497</u>	<u>16,329</u>	<u>3,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,019</u>	<u>(432)</u>	<u>22</u>	<u>1,899</u>	<u>1,680</u>
Other financing sources (uses):					
Transfers in	100	-	-	-	3,776
Transfers out	-	-	-	(200)	-
Premium on bonds issued	-	-	-	-	-
Issuance of general obligation bonds	-	-	-	-	-
Inception of capital lease	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	157	-
Issuance of notes	-	-	-	-	-
Total other financing sources (uses)	<u>100</u>	<u>-</u>	<u>-</u>	<u>(43)</u>	<u>3,776</u>
Net change in fund balances	<u>6,119</u>	<u>(432)</u>	<u>22</u>	<u>1,856</u>	<u>5,456</u>
Fund balances, beginning of year	<u>6,812</u>	<u>472</u>	<u>2,849</u>	<u>10,458</u>	<u>17,186</u>
Fund balances, end of year	<u>\$ 12,931</u>	<u>\$ 40</u>	<u>\$ 2,871</u>	<u>\$ 12,314</u>	<u>\$ 22,642</u>

Transportation	Management Improvement	Public Improvement Districts	Storm Water Operations	Municipal	General Citizen	Arts and Cultural	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
807	3,312	-	-	512	-	-	59,845
-	-	-	-	-	-	-	-
1,972	2,907	-	55,026	3,378	9	408	71,583
10,054	859	-	-	-	-	-	11,154
184	178	-	147	310	29	45	1,420
-	-	31,070	-	-	-	-	31,070
20	4	-	-	67	150	73	2,747
-	-	-	-	-	-	-	4,063
1	24	-	56	479	-	-	7,229
<u>13,038</u>	<u>7,284</u>	<u>31,070</u>	<u>55,229</u>	<u>4,746</u>	<u>188</u>	<u>526</u>	<u>189,111</u>
-	2,491	30,959	42,125	6,264	1,069	-	89,153
-	-	-	-	358	-	-	12,119
-	-	-	-	-	-	-	41
-	-	-	-	-	-	-	16,650
10,818	-	-	-	-	-	-	10,976
-	-	-	-	-	-	-	-
-	-	-	-	-	-	98	3,533
-	-	-	-	-	-	-	19,325
-	-	-	451	-	-	-	2,447
-	-	-	22	-	-	-	1,038
548	3,434	-	2,873	3	40	-	14,113
<u>11,366</u>	<u>5,925</u>	<u>30,959</u>	<u>45,471</u>	<u>6,625</u>	<u>1,109</u>	<u>98</u>	<u>169,395</u>
<u>1,672</u>	<u>1,359</u>	<u>111</u>	<u>9,758</u>	<u>(1,879)</u>	<u>(921)</u>	<u>428</u>	<u>19,716</u>
-	273	-	-	8,324	-	-	12,473
-	(1,199)	-	(922)	(1,050)	-	-	(3,371)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	74	-	-	-	231
-	-	-	-	-	-	-	-
-	(926)	-	(848)	7,274	-	-	9,333
<u>1,672</u>	<u>433</u>	<u>111</u>	<u>8,910</u>	<u>5,395</u>	<u>(921)</u>	<u>428</u>	<u>29,049</u>
<u>11,936</u>	<u>17,927</u>	<u>-</u>	<u>42,226</u>	<u>32,371</u>	<u>3,764</u>	<u>5,628</u>	<u>151,629</u>
<u>\$ 13,608</u>	<u>\$ 18,360</u>	<u>\$ 111</u>	<u>\$ 51,136</u>	<u>\$ 37,766</u>	<u>\$ 2,843</u>	<u>\$ 6,056</u>	<u>\$ 180,678</u>

continued

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
For the Year Ended September 30, 2018
(in thousands)

	Capital Projects			
	Neighborhood Projects	Parks	Streets and Drainage	Building
Revenues:				
Ad valorem tax	\$ 57,801	\$ -	\$ -	\$ -
Tax increment financing, intergovernmental	11,139	-	-	-
Franchise fees	-	-	5,584	-
Intergovernmental	-	-	-	7,250
Service to others	625	1,818	912	-
Fines and forfeitures	-	-	-	-
Investment income	1,001	336	1,956	867
Special assessments	-	-	-	-
Contributions and gifts	18,479	110	24	728
Confiscated money awards	-	-	-	-
Other revenues	-	-	2,924	23
Total revenues	<u>89,045</u>	<u>2,264</u>	<u>11,400</u>	<u>8,868</u>
Expenditures:				
Current				
General government	78,688	-	-	2,172
Public safety	-	-	-	3,280
Code enforcement	-	-	-	-
Environmental and health services	-	-	-	-
Streets, public works, and transportation	-	-	1,528	895
Equipment and building services	-	-	-	691
Culture and recreation	-	12,020	-	471
Human services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	542
Capital outlay	2,329	34,378	91,498	50,152
Total expenditures	<u>81,017</u>	<u>46,398</u>	<u>93,026</u>	<u>58,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,028</u>	<u>(44,134)</u>	<u>(81,626)</u>	<u>(49,335)</u>
Other financing sources (uses):				
Transfers in	-	3,000	18,800	11,645
Transfers out	-	-	-	(5,164)
Premium on bonds issued	1,605	-	4,637	643
Issuance of general obligation bonds	16,424	-	47,458	6,579
Inception of capital lease	-	-	-	33,832
Proceeds from sale of capital assets	-	-	410	-
Issuance of notes	-	13,725	18,715	5,267
Total other financing sources (uses)	<u>18,029</u>	<u>16,725</u>	<u>90,020</u>	<u>52,802</u>
Net change in fund balance	<u>26,057</u>	<u>(27,409)</u>	<u>8,394</u>	<u>3,467</u>
Fund balances, beginning of year	74,979	40,345	156,524	47,092
Fund balances, end of year	<u>\$ 101,036</u>	<u>\$ 12,936</u>	<u>\$ 164,918</u>	<u>\$ 50,559</u>

Trans- portation	Total Nonmajor Capital Project Funds
\$ -	\$ 57,801
-	11,139
-	5,584
5,327	12,577
-	3,355
-	-
4,680	8,840
-	-
65	19,406
-	-
-	2,947
10,072	121,649

-	80,860
-	3,280
-	-
-	-
2,000	4,423
-	691
-	12,491
-	-
-	-
-	542
50,074	228,431
52,074	330,718

(42,002)	(209,069)
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-	33,445
(603)	(5,767)
19,888	26,773
203,544	274,005
-	33,832
-	410
145	37,852
222,974	400,550

180,972	191,481
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196,793	515,733
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\$ 377,765	\$ 707,214
	continued

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (continued)
For the Year Ended September 30, 2018
(in thousands)

	Permanent Funds		
	Samuell Park	Grauwylor Memorial	Craddock Park
Revenues:			
Ad valorem tax	\$ -	\$ -	\$ -
Tax increment financing, intergovernmental	-	-	-
Franchise Fees	-	-	-
Intergovernmental	-	-	-
Service to others	-	-	-
Fines and forfeits	-	-	-
Investment income	607	7	61
Special assessments	-	-	-
Contributions and gifts	-	-	-
Confiscated money awards	-	-	-
Other revenues	-	-	-
Total revenues	<u>607</u>	<u>7</u>	<u>61</u>
Expenditures:			
Current			
General government	-	-	-
Public safety	-	-	-
Code enforcement	-	-	-
Environment and health services	-	-	-
Streets, public works, and transportation	-	-	-
Equipment and building services	-	-	-
Culture and recreation	-	-	-
Human services	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>607</u>	<u>7</u>	<u>61</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(517)	-	-
Issuance of general obligation bonds	-	-	-
Inception of capital lease	-	-	-
Proceeds from sale of capital assets	-	-	-
Issuance of notes	-	-	-
Total other financing sources (uses)	<u>(517)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>90</u>	<u>7</u>	<u>61</u>
Fund balances, beginning of year	<u>8,315</u>	<u>111</u>	<u>1,024</u>
Fund balances, end of year	<u>\$ 8,405</u>	<u>\$ 118</u>	<u>\$ 1,085</u>

	Martin Weiss Park	Hale Davis	Total Permanent Funds	Total Nonmajor Governmental Funds
\$	-	\$ -	\$ -	\$ 57,801
	-	-	-	11,139
	-	-	-	5,584
	-	-	-	72,422
	-	-	-	74,938
	-	-	-	11,154
	6	25	706	10,966
	-	-	-	31,070
	-	-	-	22,153
	-	-	-	4,063
	-	-	-	10,176
	<u>6</u>	<u>25</u>	<u>706</u>	<u>311,466</u>
	-	-	-	170,013
	-	-	-	15,399
	-	-	-	41
	-	-	-	16,650
	-	-	-	15,399
	-	-	-	691
	-	-	-	16,024
	-	-	-	19,325
	-	-	-	2,447
	-	-	-	1,580
	-	-	-	242,544
	-	-	-	500,113
	<u>6</u>	<u>25</u>	<u>706</u>	<u>(188,647)</u>
	-	-	-	45,918
	-	(45)	(562)	(9,700)
	-	-	-	274,005
	-	-	-	33,832
	-	-	-	641
	-	-	-	37,852
	-	(45)	(562)	409,321
	<u>6</u>	<u>(20)</u>	<u>144</u>	<u>220,674</u>
	<u>98</u>	<u>410</u>	<u>9,958</u>	<u>677,320</u>
\$	<u>104</u>	<u>\$ 390</u>	<u>\$ 10,102</u>	<u>\$ 897,994</u>

NONMAJOR ENTERPRISE FUNDS

To account for operations which are financed and operated in a manner similar to private business enterprise.

Municipal Radio – to account for City-owned radio broadcast services.

Building Inspection – to account for construction inspection services within the Dallas city limits.

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS

September 30, 2018
(in thousands)

	Municipal Radio	Building Inspection	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Pooled cash and cash equivalents	\$ 1,548	\$ 58,227	\$ 59,775
Receivables:			
Accounts	366	194	560
Accrued interest	3	136	139
Allowance for uncollectible accounts	(14)	-	(14)
Total current assets	<u>1,903</u>	<u>58,557</u>	<u>60,460</u>
Capital assets:			
Land	-	900	900
Artwork	-	-	-
Construction in progress	167	-	167
Buildings	337	-	337
Improvements other than buildings	273	-	273
Equipment	2,472	2,071	4,543
Accumulated depreciation	(2,428)	(1,813)	(4,241)
Total capital assets	<u>821</u>	<u>1,158</u>	<u>1,979</u>
Total assets	<u>2,724</u>	<u>59,715</u>	<u>62,439</u>
Deferred outflows of resources			
Deferred loss on refunding	3	22	25
Deferred outflows of resources related to pensions	1,440	13,599	15,039
Deferred outflows of resources related to other postemployment benefits	3	108	111
Total deferred outflows of resources	<u>1,446</u>	<u>13,729</u>	<u>15,175</u>
Liabilities			
Current liabilities:			
Accrued payroll	10	247	257
Accounts payable	190	593	783
Compensated absences	39	1,136	1,175
Pension obligation bonds - current	35	260	295
Other liabilities	18	1,916	1,934
Unearned revenue	-	7,852	7,852
Accrued bond interest payable	5	34	39
Total current liabilities	<u>297</u>	<u>12,038</u>	<u>12,335</u>
Noncurrent liabilities:			
Accreted interest on pension obligation bonds	652	4,784	5,436
Pension obligation bonds	1,478	10,427	11,905
Total long-term debt	<u>2,130</u>	<u>15,211</u>	<u>17,341</u>
Other noncurrent liabilities			
Compensated absences	40	1,141	1,181
Other postemployment benefits	326	10,396	10,722
Net pension liability	2,770	25,850	28,620
Total other noncurrent liabilities	<u>3,136</u>	<u>37,387</u>	<u>40,523</u>
Total long-term liabilities	<u>5,266</u>	<u>52,598</u>	<u>57,864</u>
Total liabilities	<u>5,563</u>	<u>64,636</u>	<u>70,199</u>
Deferred inflows of resources			
Deferred inflows of resources related to pensions	1,256	27,670	28,926
Deferred inflows of resources related to other postemployment benefits	13	426	439
Total deferred inflows of resources	<u>1,269</u>	<u>28,096</u>	<u>29,365</u>
Net position			
Net investment in capital assets	821	1,158	1,979
Unrestricted (deficit)	(3,483)	(20,446)	(23,929)
Total net position (deficit)	<u>\$ (2,662)</u>	<u>\$ (19,288)</u>	<u>\$ (21,950)</u>

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2018
(in thousands)

	Municipal Radio	Building Inspection	Total Nonmajor Enterprise Funds
Operating revenues:			
Customer charges	\$ 1,751	\$ 34,387	\$ 36,138
Other revenues	88	639	727
Total operating revenues	<u>1,839</u>	<u>35,026</u>	<u>36,865</u>
Operating expenses:			
Personnel services	1,291	26,323	27,614
Supplies and materials	89	410	499
Contractual and other services	617	9,160	9,777
Depreciation	80	21	101
Total operating expenses	<u>2,077</u>	<u>35,914</u>	<u>37,991</u>
Operating income (loss)	<u>(238)</u>	<u>(888)</u>	<u>(1,126)</u>
Nonoperating revenues (expenses):			
Investment income	17	730	747
Interest on bonds and notes	(110)	(815)	(925)
Total nonoperating revenues (expenses)	<u>(93)</u>	<u>(85)</u>	<u>(178)</u>
Income before contributions and transfers	<u>(331)</u>	<u>(973)</u>	<u>(1,304)</u>
Capital contributions	31	-	31
Transfers out	-	(345)	(345)
Change in net position	<u>(300)</u>	<u>(1,318)</u>	<u>(1,618)</u>
Net position (deficit), beginning of year (restated - see note 1W)	<u>(2,362)</u>	<u>(17,970)</u>	<u>(20,332)</u>
Net position (deficit), end of year	<u>\$ (2,662)</u>	<u>\$ (19,288)</u>	<u>\$ (21,950)</u>

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2018
(in thousands)

	Municipal Radio	Building Inspection	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 1,703	\$ 35,240	\$ 36,943
Cash payments to suppliers for goods and services	(115)	(11)	(126)
Cash payments to employees for services	(1,054)	(21,553)	(22,607)
Cash payments for contractual services	(624)	(8,294)	(8,918)
Other operating cash receipts (payments)	88	639	727
Net cash provided by (used in) operating activities	<u>(2)</u>	<u>6,021</u>	<u>6,019</u>
Cash flows from non capital financing activities:			
Principal paid on pension obligation bonds	(37)	(269)	(306)
Interest paid on pension obligation bonds	(105)	(785)	(890)
Transfers from other funds	-	-	-
Transfers to other funds	-	(345)	(345)
Net cash provided by (used in) non capital financing activities	<u>(142)</u>	<u>(1,399)</u>	<u>(1,541)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(17)	(239)	(256)
Net cash provided by (used in) capital and related financing activities	<u>(17)</u>	<u>(239)</u>	<u>(256)</u>
Cash flows from investing activities:			
Investment income	18	730	748
Net cash provided by (used in) investing activities	<u>18</u>	<u>730</u>	<u>748</u>
Net increase (decrease) in cash and cash equivalents	(143)	5,113	4,970
Cash and cash equivalents, beginning of year	1,691	53,114	54,805
Cash and cash equivalents, end of year	<u>\$ 1,548</u>	<u>\$ 58,227</u>	<u>\$ 59,775</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (238)	\$ (888)	\$ (1,126)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	80	21	101
Change in assets and liabilities			
(Increase) Decrease in accounts and other receivables	(48)	375	327
(Increase) Decrease in deferred outflows for other postemployment benefits	(3)	(108)	(111)
(Increase) Decrease in deferred outflows for pension contributions	1,216	20,866	22,082
Increase (Decrease) in accounts payable	141	399	540
Increase (Decrease) in accrued payroll	(2)	6	4
Increase (Decrease) in compensated absences	11	(54)	(43)
Increase (Decrease) in unearned revenue	-	780	780
Increase (Decrease) in other post employment benefits	(6)	(155)	(161)
Increase (Decrease) in net pension liability	(333)	(6,867)	(7,200)
Increase (Decrease) in other liabilities	(7)	564	557
Increase (Decrease) in deferred inflows for other postemployment benefits	13	426	439
Increase (Decrease) in deferred inflows for pension contributions	(659)	(9,344)	(10,003)
Total adjustments	<u>403</u>	<u>6,909</u>	<u>7,312</u>
Net cash provided by (used in) operating activities	<u>\$ 165</u>	<u>\$ 6,021</u>	<u>\$ 6,186</u>
Current Assets:			
Pooled cash and cash equivalents	\$ 1,548	\$ 58,227	\$ 59,775
Total cash and cash equivalents end of year	<u>\$ 1,548</u>	<u>\$ 58,227</u>	<u>\$ 59,775</u>
Noncash investing, capital, and financing activities:			
Capital contributions	\$ 31	\$ -	\$ 31
Premium/discount amortization	15	108	123
Accretion on capital appreciation bonds	19	135	154
Amortization of deferred gain/loss on refunding	1	5	6

INTERNAL SERVICE FUNDS

Equipment Services Fund – to account for the cost of providing vehicles, vehicle maintenance, and fuel and lubrication to other City departments.

Communication Equipment Services Fund – to account for the cost of providing communication services to other City Departments.

Office Systems Fund – to account for the cost of providing office supplies, printing, copying, and mailing services to other City Departments.

Information Systems Fund – to account for the cost of providing data processing and programming services to other City departments.

Risk Funds – to account for the cost of providing risk financing and insurance-related activities to other City departments.

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2018

	Equipment Services	Communication Equipment Services	Office Services	Information Systems	Risk Funds	Total
Assets						
Current assets:						
Pooled cash and cash equivalents	\$ 15,853	\$ 3,341	\$ 2,973	\$ 39,232	\$ 34,742	\$ 96,141
Receivables:						
Accounts	183	23	13	92	25	336
Accrued interest	21	-	6	60	85	172
Inventories, at cost	2,804	236	105	-	-	3,145
Prepaid expenses	-	-	-	-	29	29
Other assets	-	-	-	-	2,324	2,324
Total current assets	<u>18,861</u>	<u>3,600</u>	<u>3,097</u>	<u>39,384</u>	<u>37,205</u>	<u>102,147</u>
Capital assets:						
Land	1,696	-	-	-	-	1,696
Buildings	2,772	1,663	-	-	-	4,435
Improvements other than buildings	365	456	-	248	-	1,069
Infrastructure	1,137	685	-	-	-	1,822
Equipment	80,938	15,230	210	20,789	336	117,503
Construction in progress	129	-	-	-	-	129
Accumulated depreciation	(74,333)	(17,016)	(210)	(17,709)	(336)	(109,604)
Total capital assets	<u>12,704</u>	<u>1,018</u>	<u>-</u>	<u>3,328</u>	<u>-</u>	<u>17,050</u>
Total assets	<u>31,565</u>	<u>4,618</u>	<u>3,097</u>	<u>42,712</u>	<u>37,205</u>	<u>119,197</u>
Deferred outflows of resources						
Deferred outflows of resources related to pensions	13,814	1,923	615	10,309	1,835	28,496
Deferred outflows of resources related to other postemployment benefits	100	6	3	72	24	205
Total deferred outflows of resources	<u>13,914</u>	<u>1,929</u>	<u>618</u>	<u>10,381</u>	<u>1,859</u>	<u>28,701</u>
Liabilities						
Current liabilities:						
Accrued payroll	188	20	6	213	43	470
Accounts payable	2,739	328	280	6,424	2,741	12,512
Compensated absences	841	82	35	1,253	144	2,355
Estimated unpaid health claims	-	-	-	-	8,312	8,312
Estimated unpaid claims - general	-	-	-	-	181,218	181,218
Workers' compensation	-	-	-	-	7,211	7,211
Other liabilities	34	-	18	123	3,705	3,880
Total current liabilities	<u>3,802</u>	<u>430</u>	<u>339</u>	<u>8,013</u>	<u>203,374</u>	<u>215,958</u>
Noncurrent liabilities:						
Estimated unpaid claims - general	-	-	-	-	8,785	8,785
Workers' compensation	-	-	-	-	30,162	30,162
Compensated absences	844	82	36	1,257	145	2,364
Other postemployment benefits	9,952	737	244	6,849	2,034	19,816
Net pension liability	25,617	3,519	1,098	20,938	3,572	54,744
Total noncurrent liabilities	<u>36,413</u>	<u>4,338</u>	<u>1,378</u>	<u>29,044</u>	<u>44,698</u>	<u>115,871</u>
Total liabilities	<u>40,215</u>	<u>4,768</u>	<u>1,717</u>	<u>37,057</u>	<u>248,072</u>	<u>331,829</u>
Deferred inflows of resources						
Deferred inflows of resources related to pensions	22,722	3,081	810	21,915	4,139	52,667
Deferred inflows of resources related to other postemployment benefits	395	22	12	282	96	807
Total deferred inflows of resources	<u>23,117</u>	<u>3,103</u>	<u>822</u>	<u>22,197</u>	<u>4,235</u>	<u>53,474</u>
Net position						
Net investment in capital assets	12,704	1,018	-	3,328	-	17,050
Unrestricted (deficit)	(30,557)	(2,342)	1,176	(9,489)	(213,243)	(254,455)
Total net position (deficit)	<u>\$ (17,853)</u>	<u>\$ (1,324)</u>	<u>\$ 1,176</u>	<u>\$ (6,161)</u>	<u>\$ (213,243)</u>	<u>\$ (237,405)</u>

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2018
(in thousands)

	Equipment Services	Communication Equipment Services	Office Services	Information Systems	Risk Funds	Total
Operating revenues						
Charges to other city departments	\$ 54,800	\$ 4,746	\$ 2,792	\$ 68,341	\$ 115,943	\$ 246,622
Charges to employees/retirees	-	-	-	-	58,726	58,726
Other revenues	53	-	334	35	373	795
Total operating revenues	<u>54,853</u>	<u>4,746</u>	<u>3,126</u>	<u>68,376</u>	<u>175,042</u>	<u>306,143</u>
Operating expenses						
Personnel services	20,396	2,338	753	22,461	16,167	62,115
Supplies and materials	23,471	645	1,071	2,234	232	27,653
Contractual and other services	14,118	2,328	736	43,542	320,679	381,403
Depreciation	2,797	89	-	528	-	3,414
Total operating expenses	<u>60,782</u>	<u>5,400</u>	<u>2,560</u>	<u>68,765</u>	<u>337,078</u>	<u>474,585</u>
Operating income (loss)	<u>(5,929)</u>	<u>(654)</u>	<u>566</u>	<u>(389)</u>	<u>(162,036)</u>	<u>(168,442)</u>
Nonoperating revenues (expenses):						
Investment income (loss)	113	20	21	375	271	800
Gain (loss) on property disposals	524	-	-	-	-	524
Total nonoperating revenues (expenses)	<u>637</u>	<u>20</u>	<u>21</u>	<u>375</u>	<u>271</u>	<u>1,324</u>
Income (loss) before transfers	<u>(5,292)</u>	<u>(634)</u>	<u>587</u>	<u>(14)</u>	<u>(161,765)</u>	<u>(167,118)</u>
Transfers						
Transfers in	1,295	14	359	817	61,690	64,175
Transfers out	(1,117)	(114)	(33)	(7,480)	(195)	(8,939)
Total transfers	<u>178</u>	<u>(100)</u>	<u>326</u>	<u>(6,663)</u>	<u>61,495</u>	<u>55,236</u>
Change in net position	(5,114)	(734)	913	(6,677)	(100,270)	(111,882)
Net position (deficit), beginning of year (restated - see note 1W)	<u>(12,739)</u>	<u>(590)</u>	<u>263</u>	<u>516</u>	<u>(112,973)</u>	<u>(125,523)</u>
Net position (deficit), end of year	<u>\$ (17,853)</u>	<u>\$ (1,324)</u>	<u>\$ 1,176</u>	<u>\$ (6,161)</u>	<u>\$ (213,243)</u>	<u>\$ (237,405)</u>

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2018
(in thousands)

	Equipment Services	Communication Equipment Services	Office Services	Information Systems	Risk Funds	Total
Cash flows from operating activities:						
Cash received from customers	\$ 54,617	\$ 4,745	\$ 2,792	\$ 68,289	\$ 176,093	\$ 306,536
Cash payments to suppliers for goods and services	(24,146)	(380)	(615)	(2,107)	(1,846)	(29,094)
Cash payments to employees for services	(16,779)	(1,843)	(575)	(18,359)	(14,027)	(51,583)
Cash payments for contractual services	(14,117)	(2,328)	(735)	(43,542)	(207,705)	(268,427)
Other operating cash receipts (payments)	53	-	334	35	373	795
Net cash provided by (used in) operating activities	<u>(372)</u>	<u>194</u>	<u>1,201</u>	<u>4,316</u>	<u>(47,112)</u>	<u>(41,773)</u>
Cash flows from non capital financing activities:						
Transfers from other funds	1,295	14	359	817	61,690	64,175
Transfers to other funds	(1,117)	(114)	(33)	(7,480)	(195)	(8,939)
Net cash provided by (used in) non capital financing activities	<u>178</u>	<u>(100)</u>	<u>326</u>	<u>(6,663)</u>	<u>61,495</u>	<u>55,236</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(2,559)	-	-	(594)	-	(3,153)
Proceeds from sale of capital assets	743	-	-	-	-	743
Net cash provided by (used in) capital and related financing activities	<u>(1,816)</u>	<u>-</u>	<u>-</u>	<u>(594)</u>	<u>-</u>	<u>(2,410)</u>
Cash flows from investing activities:						
Investment income	94	20	18	386	206	724
Net cash provided by (used in) investing activities	<u>94</u>	<u>20</u>	<u>18</u>	<u>386</u>	<u>206</u>	<u>724</u>
Net increase (decrease) in cash and cash equivalents	(1,916)	114	1,545	(2,555)	14,589	11,777
Cash and cash equivalents, beginning of year	17,769	3,227	1,428	41,787	20,153	84,364
Cash and cash equivalents, end of year	<u>\$ 15,853</u>	<u>\$ 3,341</u>	<u>\$ 2,973</u>	<u>\$ 39,232</u>	<u>\$ 34,742</u>	<u>\$ 96,141</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (5,929)	\$ (654)	\$ 566	\$ (389)	\$ (162,036)	\$ (168,442)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	2,797	89	-	528	-	3,414
Change in assets and liabilities						
(Increase) Decrease in accounts and other receivables	(183)	(1)	-	(52)	1,424	1,188
(Increase) Decrease in inventories	(389)	1	361	-	-	(27)
(Increase) Decrease in other assets	-	-	-	-	2,025	2,025
(Increase) Decrease in due from other funds	-	-	-	-	-	-
(Increase) Decrease in deferred outflows for other postemployment benefits	(100)	(6)	(3)	(72)	(24)	(205)
(Increase) Decrease in deferred outflows for pension contributions	16,661	2,218	580	17,122	3,067	39,648
Increase (Decrease) in accounts payable	(286)	264	95	127	(1,614)	(1,414)
Increase (Decrease) in accrued payroll	(3)	(1)	-	10	8	14
Increase (Decrease) in compensated absences	(67)	2	61	135	20	151
Increase (Decrease) in other post employment benefits	(144)	(7)	(4)	(103)	(34)	(292)
Increase (Decrease) in estimated unpaid health claims	-	-	-	-	495	495
Increase (Decrease) in estimated unpaid claims - general	-	-	-	-	110,249	110,249
Increase (Decrease) in workers' compensation	-	-	-	-	887	887
Increase (Decrease) in net pension liability	(5,180)	(667)	(168)	(5,756)	(1,033)	(12,804)
Increase (Decrease) in other liabilities	1	-	1	-	700	702
Increase (Decrease) in deferred inflows for other postemployment benefits	395	22	12	282	96	807
Increase (Decrease) in deferred inflows for pension contributions	(7,945)	(1,066)	(300)	(7,516)	(1,342)	(18,169)
Total adjustments	<u>5,557</u>	<u>848</u>	<u>635</u>	<u>4,705</u>	<u>114,924</u>	<u>126,669</u>
Net cash provided by (used in) operating activities	<u>\$ (372)</u>	<u>\$ 194</u>	<u>\$ 1,201</u>	<u>\$ 4,316</u>	<u>\$ (47,112)</u>	<u>\$ (41,773)</u>

FIDUCIARY FUNDS

Trust and Agency Funds – to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City's Trust and Agency Funds include Pension Trust Funds and Agency Funds.

Pension Trust Funds are accounted for in essentially the same manner as proprietary funds, using the same measurement focus and basis of accounting. The Pension Trust Funds are used to account for the assets of the City's Employees' Retirement Fund, the Dallas Police and Fire Pension System, and the Police and Fire Supplemental Pension Fund.

Agency Funds are purely custodial and do not involve measurement of results of operations.

Cash Escrow Deposit Fund – to account for cash escrow bonds collected by the municipal court.

Confiscated Money Fund – to account for property confiscated in drug violation arrests.

Tax Distribution Fund – to account for the collection and distribution of ad valorem taxes for the City and the Dallas Independent School District.

Employee War and Savings Bond Fund – to account for employee payroll deductions for the purchase of savings bonds.

Deferred Compensation Fund – to account for the employees' 401k, tax-deferred compensation deductions.

Employee Benefits Fund – to account for employees' Dental, Vision, AD&D, and Dependent Life Insurance deductions and Health Maintenance Organization (HMO) employees' and City deductions. The City collects and remits premiums on behalf of the participants.

Dallas Tourism Public Improvement District (PID) Deposit Fund – to account for the collection and distribution of Tourism Public Improvement District recovery assessment fees for the Tourism PID.

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF PLAN NET POSITION
PENSION TRUST FUNDS

September 30, 2018 (1)
(in thousands)

	Employees' Retirement Fund	Dallas Police & Fire Pension System	Police & Fire Supplemental Pension Fund	Total Pension Trust Funds
Assets				
Cash and cash equivalents	\$ 117,468	\$ 117,591	\$ 996	\$ 236,055
Invested securities lending collateral	288,565	12,051	102	300,718
Receivables:				
Accounts	469,011	31,435	245	500,691
Accrued interest and dividends	13,495	2,924	25	16,444
Short-term investments	-	23,930	203	24,133
Equity securities	-	466,132	3,949	470,081
Domestic equities	1,377,442	-	-	1,377,442
U.S. and foreign government fixed income securities	210,114	325,258	2,755	538,127
Domestic corporate fixed income	720,300	-	-	720,300
International equities and fixed income	508,457	-	-	508,457
Commingled index funds	163,761	-	-	163,761
Real assets	-	794,476	6,730	801,206
Private equities and venture capital funds	512,949	220,241	1,866	735,056
Alternative investments	-	143,710	1,217	144,927
Forward currency contracts	-	134	1	135
Prepaid expenses	-	432	3	435
Capital assets, net	-	12,608	107	12,715
Total assets	<u>4,381,562</u>	<u>2,150,922</u>	<u>18,199</u>	<u>6,550,683</u>
Liabilities				
Accounts payable	6,645	4,379	28	11,052
Payable for securities purchased	13,315	31,147	264	44,726
Securities lending collateral	288,565	12,051	102	300,718
Other liabilities	460,777	-	-	460,777
Total liabilities	<u>769,302</u>	<u>47,577</u>	<u>394</u>	<u>817,273</u>
Net Position				
Net investment in capital assets	-	12,608	107	12,715
Restricted for pensions	3,612,260	2,090,737	17,698	5,720,695
Total net position	<u>\$ 3,612,260</u>	<u>\$ 2,103,345</u>	<u>\$ 17,805</u>	<u>\$ 5,733,410</u>

(1) Although the City has a fiscal year-end of September 30, the pension trust funds have a calendar year-end; therefore, the information presented above is as of December 31, 2017.

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION TRUST FUNDS

For the Year Ended September 30, 2018 (1)
(in thousands)

	Employees' Retirement Fund	Dallas Police & Fire Pension System	Police & Fire Supplemental Pension Fund	Total Pension Trust Funds
Additions:				
Contributions				
Employer	\$ 58,966	\$ 126,318	\$ 2,077	\$ 187,361
Employee	55,175	32,977	66	88,218
Total contributions	<u>114,141</u>	<u>159,295</u>	<u>2,143</u>	<u>275,579</u>
Net investment income:				
Interest and dividends	101,970	30,923	262	133,155
Net appreciation (depreciation) in fair value of investments	326,541	74,836	536	401,913
Securities lending income	1,885	185	2	2,072
Less investment expenses:				
Investment management fees	(15,984)	(9,025)	(76)	(25,085)
Custody fees	(140)	-	-	(140)
Consultant fees	(385)	-	-	(385)
Securities lending management fees	(377)	(85)	(1)	(463)
Total investment expenses	<u>(16,886)</u>	<u>(9,110)</u>	<u>(77)</u>	<u>(26,073)</u>
Net investment income	413,510	96,834	723	511,067
Other income	<u>207</u>	<u>2,076</u>	<u>18</u>	<u>2,301</u>
Total increases	<u>527,858</u>	<u>258,205</u>	<u>2,884</u>	<u>788,947</u>
Deductions:				
Benefit payments	253,534	292,576	2,669	548,779
Refund of contributions	8,156	3,577	-	11,733
Interest expense	-	1,280	11	1,291
Administrative expenses	5,951	8,089	69	14,109
Total deductions	<u>267,641</u>	<u>305,522</u>	<u>2,749</u>	<u>575,912</u>
Net increase (decrease) in net position available for benefits	260,217	(47,317)	135	213,035
Net position, beginning of year	<u>3,352,043</u>	<u>2,150,662</u>	<u>17,670</u>	<u>5,520,375</u>
Net position, end of year	<u>\$ 3,612,260</u>	<u>\$ 2,103,345</u>	<u>\$ 17,805</u>	<u>\$ 5,733,410</u>

(1) Although the City has a fiscal year-end of September 30, the pension trust funds have a calendar year-end; therefore, the information presented above is as of December 31, 2017.

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the Year Ended September 30, 2018
(in thousands)

	Balance, 9/30/17	Additions	Deductions	Balance, 9/30/18
CASH ESCROW DEPOSIT FUND				
Assets				
Cash and other assets	\$ 142	\$ 257	\$ 291	\$ 108
Liabilities				
Due to other governments and other liabilities	142	257	291	108
CONFISCATED MONEY FUND				
Assets				
Cash and other assets	2,740	1,499	3,427	812
Liabilities				
Other liabilities	2,740	1,499	3,427	812
TAX DISTRIBUTION FUND				
Assets				
Cash and other assets	86	-	86	-
Liabilities				
Due to other funds and other liabilities	86	-	86	-
DEFERRED COMPENSATION FUND				
Assets				
Investments and other assets	51	47,754	47,767	38
Liabilities				
Due to employees - deferred compensation and other liabilities	51	47,754	47,767	38
EMPLOYEE BENEFITS FUND				
Assets				
Cash	367	12,082	12,249	200
Liabilities				
Other liabilities	367	12,082	12,249	200
DALLAS TOURISM PID DEPOSIT FUND				
Assets				
Cash	1,125	-	1,010	115
Liabilities				
Other liabilities	1,125	-	1,010	115
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and other assets	4,511	61,592	64,830	1,273
Liabilities				
Due to other funds and other liabilities	\$ 4,511	\$ 61,592	\$ 64,830	\$ 1,273

DEBT SERVICE FUND

The City maintains one fund to account for payment of principal and interest on the following general obligation debt: bonds, certificates of obligation, and equipment acquisition notes.

CITY OF DALLAS, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

Year Ended September 30, 2018
(in thousands)

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 260,036	\$ 260,036	\$ 260,182	\$ 146
"Build America Bonds" Federal Subsidy	1,401	1,401	1,399	(2)
Investment income	103	103	647	544
Total revenues	261,540	261,540	262,228	688
Expenditures:				
Principal	160,759	160,759	145,623	15,136
Interest and fiscal charges	89,950	89,950	92,038	(2,088)
Other	16,614	16,614	16,471	143
Total expenditures	267,323	267,323	254,132	13,191
Excess (deficiency) of revenues over (under) expenditures	(5,783)	(5,783)	8,096	13,879
Other financing sources (uses):				
Transfers	16,610	16,610	5,294	(11,316)
General obligation bonds and premium issued	-	-	27,955	27,955
Issuance general obligation bonds	-	-	5,615	5,615
Payment to refunded bond escrow agent	-	-	(30,675)	(30,675)
Total other financing sources (uses)	16,610	16,610	8,189	(8,421)
Exces of revenues and other financing sources over expenditures	10,827	10,827	16,285	5,458
Fund balance, beginning of year	9,812	9,812	9,812	-
Fund balance, end of year	\$ 20,639	\$ 20,639	\$ 26,097	\$ 5,458

DISCRETELY PRESENTED COMPONENT UNITS

Housing Finance Corporation – organized to issue tax-exempt mortgage revenue bonds to encourage low to moderate income citizen opportunities for single family residential home ownership.

Housing Acquisition and Development Corporation – organized solely and exclusively for the public purpose of providing safe, affordable housing facilities which are incidental thereto for the benefit of low and moderate-income persons.

Dallas Development Fund – organized to assist in carrying out the economic development program and objectives of the City by generating private investment capital through the New Markets Tax Credit Program to be made available for investment in low-income communities.

Downtown Dallas Development Authority – to account for tax increment financing revenue bonds issued to finance major improvements by developers on behalf of the City.

North Oak Cliff Municipal Management District – organized to promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation, and the arts, entertainment, economic development, safety, the public welfare in the district, and educational scholarships for college-bound students residing in or out of the District.

Cypress Waters Municipal Management District – organized to promote, develop, encourage and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety, and the public welfare in the District.

Dallas Convention Center Hotel Development Corporation – organized to promote the development of the geographic area of the City included at or in the vicinity of the Dallas Convention Center, in furtherance of the promotion, development, encouragement and maintenance of employment, commerce, convention and meeting activity, tourism, and economic development in the City, including specifically, without limitation, the development and financing of a convention center hotel to be located within 1,000 feet of the Dallas Convention Center.

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
As of September 30, 2018
(in thousands)

	Governmental-type Activities Component Units						Business-Type Activities	
	Housing Finance Corporation *	Housing Acquisition and Development Corporation	Dallas Development Fund	Downtown Dallas Development Authority	North Oak Cliff Municipal Management District	Cypress Waters Municipal Management District	Dallas Convention Center Hotel Development Corporation *	
Assets:								
Current assets:								
Cash and cash equivalents	\$ 582	\$ 166	\$ 2,515	\$ 15,795	\$ 7	\$ -	\$ 19,065	\$ 102,527
Investments, at fair value	3,402	-	10	-	-	-	3,412	-
Receivables	703	-	228	28	-	-	959	9,152
Inventory	-	-	-	-	-	-	-	674
Prepaid expenses	6	-	-	-	-	-	6	659
Land held for resale	-	623	-	-	-	-	623	-
Franchise fee (net of accumulated amortization)	-	-	-	-	-	-	-	204
Other assets	-	-	587	-	-	-	587	-
Restricted assets:								
Cash and cash equivalents	-	-	-	8,085	-	-	8,085	27,364
Investments, at fair value	-	-	-	-	-	-	-	37,052
Capital assets:								
Buildings	138	-	-	-	-	-	138	332,813
Furniture, fixtures, and equipment	7	-	-	-	-	-	7	43,214
Land	1,283	-	-	-	-	-	1,283	27,511
Construction in progress	-	-	-	-	-	-	-	127
Less: Accumulated depreciation	-	-	-	-	-	-	-	(81,847)
Total assets	6,121	789	3,340	23,908	7	-	34,165	499,450
Deferred outflows of resources	-	-	-	-	-	-	-	850
Liabilities:								
Accrued payroll	-	-	-	-	-	-	-	1,356
Accounts payable	5	34	41	-	-	-	80	4,324
Accrued expenses	-	-	-	-	-	-	-	1,935
Accrued taxes payable	-	-	-	-	-	-	-	804
Unearned revenue	-	-	50	-	-	-	50	4,417
Accrued interest payable	-	-	-	181	-	-	181	15,268
Accounts payable Omni	-	-	-	-	-	-	-	1,444
Other liabilities	4	-	-	-	-	325	329	233
Long-term liabilities:								
Due within one year	-	-	-	2,753	-	-	2,753	6,637
Due in more than one year	-	-	-	91,874	-	-	91,874	468,683
Total liabilities	9	34	91	94,808	-	325	95,267	505,101
Deferred inflows of resources	964	-	-	-	-	-	964	24
Net position:								
Net investment in capital assets	1,427	-	-	-	-	-	1,427	(66,651)
Restricted for debt service	-	331	-	8,094	-	-	8,425	-
Unrestricted	3,721	424	3,249	(78,994)	7	(325)	(71,918)	61,826
Total net position	\$ 5,148	\$ 755	\$ 3,249	\$ (70,900)	\$ 7	\$ (325)	\$ (62,066)	\$ (4,825)

* The information reported for the Housing Finance Corporation and the Dallas Convention Center Hotel Development Corporation is as of December 31, 2017.

CITY OF DALLAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
Year Ended September 30, 2018
(in thousands)

	Governmental-type Activities Component Units						Total	Business-Type
	Housing Finance Corporation *	Housing Acquisition and Development Corporation	Dallas Development Fund	Downtown Dallas Development Authority	North Oak Cliff Municipal Management District	Cypress Waters Municipal Management District		Dallas Convention Center Hotel Development Corporation *
Operating revenues:								
Charges for services	\$ 713	\$ -	\$ 632	\$ -	\$ -	\$ -	\$ 1,345	\$ 112,299
Other revenues	-	25	-	-	3	-	28	-
Intergovernmental	-	-	-	25,258	-	-	25,258	-
Total operating revenues	<u>713</u>	<u>25</u>	<u>632</u>	<u>25,258</u>	<u>3</u>	<u>-</u>	<u>26,631</u>	<u>112,299</u>
Operating expenses:								
Personnel services	119	31	-	-	-	-	150	-
Contractual and other services	700	37	313	18,481	-	6	19,537	73,973
Interest and service charges	-	-	-	5,551	-	-	5,551	-
Depreciation and amortization	71	-	-	-	-	-	71	13,341
Total operating expenses	<u>890</u>	<u>68</u>	<u>313</u>	<u>24,032</u>	<u>-</u>	<u>6</u>	<u>25,309</u>	<u>87,314</u>
Operating income (loss)	<u>(177)</u>	<u>(43)</u>	<u>319</u>	<u>1,226</u>	<u>3</u>	<u>(6)</u>	<u>1,322</u>	<u>24,985</u>
Nonoperating revenues (expenses):								
Interest and dividends	16	-	-	250	-	-	266	1,931
Interest on bonds	-	-	-	-	-	-	-	(31,763)
City tax revenue	-	-	-	-	-	-	-	9,491
Other expense	-	(76)	-	-	-	-	(76)	10,180
Asset impairment loss	(1,643)	-	-	-	-	-	(1,643)	-
Total nonoperating revenues (expenses)	<u>(1,627)</u>	<u>(76)</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>(1,453)</u>	<u>(10,161)</u>
Change in net position	<u>(1,804)</u>	<u>(119)</u>	<u>319</u>	<u>1,476</u>	<u>3</u>	<u>(6)</u>	<u>(131)</u>	<u>14,824</u>
Net position, beginning of year	<u>6,952</u>	<u>874</u>	<u>2,930</u>	<u>(72,376)</u>	<u>4</u>	<u>(319)</u>	<u>(61,935)</u>	<u>(19,649)</u>
Net position, end of year	<u>\$ 5,148</u>	<u>\$ 755</u>	<u>\$ 3,249</u>	<u>\$ (70,900)</u>	<u>\$ 7</u>	<u>\$ (325)</u>	<u>\$ (62,066)</u>	<u>\$ (4,825)</u>

* The information reported for the Housing Finance Corporation and the Dallas Convention Center Hotel Development Corporation is as of December 31, 2017.

CITY OF DALLAS, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS BY SOURCE

As of September 30, 2018
(in thousands)

Governmental funds capital assets:		
Land	\$	507,219
Construction in progress		356,158
Buildings		1,406,157
Improvements other than buildings		693,095
Equipment		602,730
Infrastructure		2,714,485
Artwork		49,870
Total governmental funds capital assets	<u>\$</u>	<u>6,329,714</u>
Investments in governmental funds capital assets by source:		
General fund	\$	241,863
Other trust and agency funds - municipality		127,665
Special revenue fund		204,504
Capital projects fund		4,803,797
Transfer from (to) enterprise funds		405,338
Gifts and forfeitures		546,547
Total investments in governmental funds capital assets by source	<u>\$</u>	<u>6,329,714</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF DALLAS, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

As of September 30, 2018
(in thousands)

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other than Buildings	Equipment	Infrastructure	Artwork	Total
General government								
City attorney	\$ -	\$ -	\$ -	\$ 8	\$ 344	\$ -	\$ -	\$ 352
City auditor	-	-	-	-	112	-	-	112
Office of financial services	-	-	4	1,424	41,984	1,487	-	44,899
Municipal Court	-	-	826	-	3,729	30	-	4,585
City secretary	-	-	-	-	129	-	-	129
Civil service	-	-	-	-	118	-	-	118
Planning and development	24,286	-	33,745	43,294	20,364	97,096	-	218,785
Employee retirement	-	-	-	-	13	-	-	13
Equipment, communications and information services	793	-	48,274	3,160	103,027	12,259	-	167,513
Human resources	-	-	-	-	5,653	-	-	5,653
International Affairs	-	-	-	-	28	-	-	28
Mayor and council	-	-	-	-	212	-	-	212
Police and fire pension	-	-	-	-	30	-	-	30
Public safety								
Fire	3,493	-	26,939	52	112,626	21	-	143,131
Police	9,329	-	94,018	50	38,526	3,181	-	145,104
Public market	4,771	-	4,355	515	199	741	-	10,581
Code Compliance	-	-	1,070	-	722	-	-	1,792
Environmental and health services	3,738	-	7,234	866	924	478	-	13,240
Public works and transportation	263,601	-	601,001	78,867	115,712	2,459,693	512	3,519,386
Culture and recreation	159,805	-	475,590	563,025	27,787	31,513	49,298	1,307,018
Library	1,178	-	63,255	29	124,188	348	-	188,998
Housing	6,794	-	10,106	1,805	97	12,269	60	31,131
Unallocated - Primarily assets acquired prior to 1977	29,431	-	39,740	-	6,206	95,369	-	170,746
Construction in progress	-	356,158	-	-	-	-	-	356,158
Total Capital Assets of governmental funds	\$ 507,219	\$ 356,158	\$ 1,406,157	\$ 693,095	\$ 602,730	\$ 2,714,485	\$ 49,870	\$ 6,329,714

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF DALLAS, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

As of September 30, 2018
(in thousands)

Function and Activity	Governmental Funds Capital Assets 09/30/17	Additions	Dispositions	Governmental Funds Capital Assets 09/30/18
General government				
City attorney	\$ 352	\$ -	\$ -	\$ 352
City auditor	112	-	-	112
Office of financial services	45,124	-	225	44,899
Municipal court	4,585	-	-	4,585
City secretary	119	10	-	129
Civil service	118	-	-	118
Planning and development	211,098	7,686	-	218,784
Employee retirement	13	-	-	13
Equipment, communications and information services	-	-	-	-
	152,801	18,004	3,292	167,513
Human resources	5,653	-	-	5,653
International affairs	28	-	-	28
Mayor and council	212	-	-	212
Police and fire pension	30	-	-	30
	-	-	-	-
Public safety	-	-	-	-
Fire	139,567	7,007	3,443	143,131
Police	140,356	4,775	28	145,103
Public market	10,581	-	-	10,581
	-	-	-	-
Code compliance	638	1,196	42	1,792
Environmental and health services	13,240	-	-	13,240
Public works and transportation	3,361,769	157,849	233	3,519,385
Culture and recreation	1,242,628	64,393	-	1,307,021
Housing	29,527	1,604	-	31,131
Library	185,375	3,623	-	188,998
Unallocated - primarily assets acquired prior to 1977	170,746	-	-	170,746
Construction in progress	329,632	221,316	194,790	356,158
Total capital assets used in the operation of governmental funds	<u>\$ 6,044,304</u>	<u>\$ 487,463</u>	<u>\$ 202,053</u>	<u>\$ 6,329,714</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net position.



“Our Product is Service”
Empathy | Ethics | Excellence | Equity

STATISTICAL SECTION

STATISTICAL SECTION

(Unaudited)

The City of Dallas 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 City's overall health.

		Tables
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity	These schedules present information to help the reader assess the City's most significant local revenue source, the property tax.	5-9
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	10-14
Demographic & Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	15-16
Operating information	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	17-19

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

CITY OF DALLAS, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)
(in thousands)

	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$ 1,699,281	\$ 2,128,770	\$ 2,144,338	\$ 2,201,645
Restricted	46,353	73,825	188,549	159,022
Unrestricted	(207,135)	(266,121)	(270,121)	(279,979)
Total Governmental Activities net position	<u>1,538,499</u>	<u>1,936,474</u>	<u>2,062,766</u>	<u>2,080,688</u>
Business-Type Activities				
Net investment in capital assets	2,452,779	2,533,106	2,586,775	2,648,976
Restricted for debt service	205,547	184,874	172,515	214,249
Unrestricted	185,917	195,273	273,611	290,977
Total Business-Type Activities net position	<u>2,844,243</u>	<u>2,913,253</u>	<u>3,032,901</u>	<u>3,154,202</u>
Primary government				
Net investment in capital assets	4,152,060	4,661,876	4,731,113	4,850,621
Restricted	251,900	258,699	361,064	373,271
Unrestricted	(21,218)	(70,848)	3,490	10,998
Total primary government net position	<u>\$ 4,382,742</u>	<u>\$ 4,849,727</u>	<u>\$ 5,095,667</u>	<u>\$ 5,234,890</u>

⁽¹⁾ 2014 was not restated because the information was not available.

⁽²⁾ In fiscal year 2016, Sanitation was reclassified from governmental activities to business-type activities.

⁽³⁾ 2017 was not restated because the information was not available.

*Source: Comprehensive Annual Financial Report for the respective years unless restated, which is from the subsequent year's Comprehensive Annual Financial Report, Management Discussion and Analysis

Table 1

2013	2014 ⁽¹⁾	2015	2016 ⁽²⁾	2017 ⁽³⁾	2018
\$ 2,241,628	\$ 2,406,821	\$ 2,520,158	\$ 2,640,551	\$ 2,746,024	\$ 2,818,586
216,280	144,269	195,210	169,538	180,303	263,184
(294,490)	(306,474)	(5,393,940)	(6,163,516)	(6,773,455)	(5,903,832)
<u>2,163,418</u>	<u>2,244,616</u>	<u>(2,678,572)</u>	<u>(3,353,427)</u>	<u>(3,847,128)</u>	<u>(2,822,062)</u>
2,738,208	2,770,931	2,778,732	2,917,498	3,009,285	3,125,155
212,472	223,230	261,399	288,970	360,630	382,304
292,801	362,862	239,436	1,946	(50,473)	(87,102)
<u>3,243,481</u>	<u>3,357,023</u>	<u>3,279,567</u>	<u>3,208,414</u>	<u>3,319,442</u>	<u>3,420,357</u>
4,979,836	5,177,752	5,298,890	5,558,049	5,755,309	5,943,741
428,752	367,499	456,609	458,508	540,933	645,488
(1,689)	56,388	(5,154,504)	(6,161,570)	(6,823,928)	(5,990,934)
<u>\$ 5,406,899</u>	<u>\$ 5,601,639</u>	<u>\$ 600,995</u>	<u>\$ (145,013)</u>	<u>\$ (527,686)</u>	<u>\$ 598,295</u>

CITY OF DALLAS, TEXAS
CHANGE IN NET POSITION
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)
(in thousands)

Expenses	2009	2010	2011	2012
Governmental Activities:				
General government	\$ 211,380	\$ 193,144	\$ 180,347	\$ 190,927
Public safety	688,891	658,225	640,010	690,906
Code enforcement (2)	-	-	-	-
Environmental and health services	37,590	12,128	23,304	20,689
Streets, lighting, sanitation, code enforcement (3)	159,930	156,411	175,984	177,005
Public works and transportation	40,749	52,285	59,553	120,640
Equipment and building services	21,001	27,194	26,848	22,999
Cultural and recreation	158,040	139,581	128,323	119,466
Housing	1,270	17,298	7,849	10,230
Human services	32,384	34,018	32,911	25,640
Interest on long-term debt	93,412	90,822	105,350	84,824
Total Governmental Activities	<u>1,444,647</u>	<u>1,381,106</u>	<u>1,380,479</u>	<u>1,463,326</u>
Business-Type Activities:				
Dallas water utilities	425,165	425,750	431,565	429,313
Convention center	81,926	77,056	80,532	80,412
Airport revenues	46,808	43,760	63,219	65,526
Sanitation (2)	-	-	-	-
Municipal radio	2,976	3,031	3,123	2,390
Building inspection	21,638	16,659	16,793	17,579
Total Business-Type Activities	<u>578,513</u>	<u>566,256</u>	<u>595,232</u>	<u>595,220</u>
Total primary government expenses	<u>2,023,160</u>	<u>1,947,362</u>	<u>1,975,711</u>	<u>2,058,546</u>
Program revenues				
Governmental Activities:				
Charges for services				
General government	88,636	94,646	100,470	92,813
Public safety	68,455	75,160	59,955	64,196
Code enforcement (2)	88,010	98,043	103,828	108,354
Environmental and health services	5,946	-	4	-
Streets, public works, and transportation (3)	9,968	10,004	10,356	8,113
Equipment and building services	1,707	561	571	911
Cultural and recreation	17,950	15,182	16,286	16,862
Housing	868	637	2,557	1,899
Human Services	21	13,197	9,333	1,728
Operating grants and contributions	79,204	104,839	118,369	112,654
Capital grants and contributions	4,986	342,031	32,267	13,823
Total Governmental Activities	<u>365,751</u>	<u>754,300</u>	<u>453,996</u>	<u>421,353</u>
Business-Type Activities:				
Charges for services				
Dallas water utilities	467,929	467,527	524,281	527,374
Convention center	16,754	19,104	20,640	28,727
Airport revenues	51,836	59,229	64,456	64,052
Sanitation (2)	-	-	-	-
Municipal radio	2,640	2,887	3,008	2,398
Building inspection	15,609	18,469	23,107	23,429
Operating grants and contributions	-	-	-	606
Capital grants and contributions	26,195	30,519	33,754	21,734
Total Business-Type Activities	<u>580,963</u>	<u>597,735</u>	<u>669,246</u>	<u>668,320</u>
Total primary government program revenues	<u>946,714</u>	<u>1,352,035</u>	<u>1,123,242</u>	<u>1,089,673</u>
Net (Expense) Revenue				
Governmental Activities	(1,078,896)	(626,806)	(926,483)	(1,041,973)
Business-Type Activities	2,450	31,479	74,014	73,100
Total primary government net expense	<u>(1,076,446)</u>	<u>(595,327)</u>	<u>(852,469)</u>	<u>(968,873)</u>
General Revenues:				
Taxes:				
Ad valorem tax	662,433	637,304	659,400	649,459
Sales taxes	208,169	205,933	217,148	231,327
Franchise taxes	124,891	123,721	128,757	129,508
Tax increment financing, intergovernmental	10,764	6,739	6,601	6,172
Special assessments	-	-	-	-
Interest on investments	35,762	9,045	6,830	6,469
Miscellaneous	27,063	20,531	18,252	17,558
Transfer	8,289	21,508	15,787	19,402
Total general revenues	<u>1,077,371</u>	<u>1,024,781</u>	<u>1,052,775</u>	<u>1,059,895</u>
Business-Type Activities:				
Hotel occupancy tax	41,969	42,114	44,969	40,047
Motor vehicle tax	4,171	4,373	3,470	-
Alcohol beverage tax	7,533	7,398	7,656	6,728
Investment Income	20,909	4,097	4,439	3,626
Miscellaneous	1,141	1,057	887	866
Transfer	(8,289)	(21,508)	(15,787)	(19,402)
Special item	-	-	-	(13,664)
Total Business-Type Activities	<u>67,434</u>	<u>37,531</u>	<u>45,634</u>	<u>18,201</u>
Change in Net Position				
Governmental Activities	(1,525)	397,975	126,292	17,922
Business-Type Activities	69,884	69,010	119,648	91,301
Total primary government	<u>\$ 68,359</u>	<u>\$ 466,985</u>	<u>\$ 245,940</u>	<u>\$ 109,223</u>

(1) Fiscal year 2014 beginning net position was not restated because information was not available.

(2) In fiscal year 2017, streets, public works, and transportation were combined. Code enforcement was reported separately.

(3) In fiscal year 2016, Sanitation was reclassified from governmental activities to business-type activities.

(4) Fiscal year 2017 beginning net position was not restated because information was not available.

*Source: Comprehensive Annual Financial Report for the respective years unless restated, which is from the subsequent year's Comprehensive Annual Financial Report, Management Discussion and Analysis

Table 2

2013	2014 (1)	2015	2016	2017 (4)	2018
\$ 191,643	\$ 263,147	\$ 220,164	\$ 339,671	\$ 312,279	\$ 371,548
684,636	684,808	594,747	1,345,492	1,284,942	(350,079)
-	-	-	-	60,897	51,710
19,026	16,747	18,067	19,431	17,455	18,897
194,248	192,981	213,665	195,187	222,444	202,815
66,755	62,168	74,130	88,141	-	-
28,259	35,369	36,917	50,829	46,620	50,980
135,934	142,519	160,527	222,921	201,716	213,337
12,998	10,367	17,529	32,694	23,696	15,045
21,995	24,006	20,451	26,789	25,703	21,294
74,193	75,133	63,404	80,890	70,676	70,693
<u>1,429,687</u>	<u>1,507,245</u>	<u>1,419,601</u>	<u>2,402,045</u>	<u>2,266,428</u>	<u>666,240</u>
436,858	429,034	499,585	586,505	524,308	553,038
93,115	90,377	92,661	105,869	105,864	106,487
77,516	91,807	103,950	137,143	144,903	143,697
-	-	-	116,152	103,363	100,252
2,312	2,047	2,254	3,009	2,290	2,187
21,021	23,647	28,704	45,988	38,338	36,729
630,822	636,912	727,154	994,666	919,066	942,390
<u>2,060,509</u>	<u>2,144,157</u>	<u>2,146,755</u>	<u>3,396,711</u>	<u>3,185,494</u>	<u>1,608,630</u>
101,896	100,673	104,237	115,901	110,857	115,092
74,746	59,061	74,126	102,308	116,033	100,658
102,117	102,621	109,391	18,984	9,959	10,654
-	-	-	71	289	-
13,361	13,143	5,572	6,551	4,378	19,714
807	882	979	1,157	886	1,241
19,503	21,021	19,972	21,467	21,831	21,853
3,488	2,234	1,994	2,973	1,646	2,782
142	146	118	122	104	-
77,534	70,935	77,038	75,560	73,693	72,807
39,035	85,718	59,712	31,092	64,858	52,942
<u>432,629</u>	<u>456,434</u>	<u>453,139</u>	<u>376,186</u>	<u>404,534</u>	<u>397,743</u>
551,498	564,546	573,327	607,329	632,469	668,624
27,936	24,207	28,211	32,858	32,892	34,361
70,553	84,426	109,777	123,757	133,677	156,167
-	-	-	102,283	106,618	110,918
1,920	1,908	1,975	1,608	1,636	1,751
26,867	28,208	31,378	33,648	33,552	34,387
5,192	5,699	5,937	6,343	6,296	6,356
53,977	16,586	21,135	37,317	22,050	34,217
737,943	725,580	771,740	945,143	969,190	1,046,781
<u>1,170,572</u>	<u>1,182,014</u>	<u>1,224,879</u>	<u>1,321,329</u>	<u>1,373,724</u>	<u>1,444,524</u>
(997,058)	(1,050,811)	(966,462)	(2,025,859)	(1,861,894)	(268,497)
107,121	88,668	44,586	(49,523)	50,124	104,391
<u>(889,937)</u>	<u>(962,143)</u>	<u>(921,876)</u>	<u>(2,075,382)</u>	<u>(1,811,770)</u>	<u>(164,106)</u>
659,693	687,573	735,913	791,420	854,136	914,272
243,697	257,467	275,250	285,669	295,361	307,149
131,009	136,951	132,719	140,184	144,205	151,793
6,937	4,108	4,892	6,473	8,829	11,139
-	-	-	-	-	31,070
2,526	2,667	7,550	10,089	9,567	16,601
14,448	11,235	43,588	16,771	13,792	19,372
21,478	32,008	23,120	32,856	42,303	45,157
<u>1,079,788</u>	<u>1,132,009</u>	<u>1,223,032</u>	<u>1,283,462</u>	<u>1,368,193</u>	<u>1,496,553</u>
45,182	50,374	53,931	59,225	59,746	65,307
-	-	-	-	-	-
7,648	10,256	11,247	12,058	12,624	13,323
1,964	2,416	5,901	6,786	6,505	13,279
908	208	314	699	24,332	1,343
(21,478)	(32,008)	(23,120)	(32,856)	(42,303)	(45,157)
(22,066)	(6,372)	-	-	-	-
<u>12,158</u>	<u>24,874</u>	<u>48,273</u>	<u>45,912</u>	<u>60,904</u>	<u>48,095</u>
82,730	81,198	256,570	(742,397)	(493,701)	1,228,056
119,279	113,542	92,859	(3,611)	111,028	152,486
<u>\$ 202,009</u>	<u>\$ 194,740</u>	<u>\$ 349,429</u>	<u>\$ (746,008)</u>	<u>\$ (382,673)</u>	<u>\$ 1,380,542</u>

CITY OF DALLAS, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)
(in thousands)

	2009	2010	2011	2012
General Fund				
Nonspendable	\$ 9,612	\$ 9,034	\$ 8,515	\$ 9,289
Restricted	4,253	2,599	7,431	11,431
Committed	2,233	1,988	1,740	1,490
Assigned	18,111	19,201	20,446	25,621
Unassigned	69,789	59,150	83,289	101,205
Total General Fund	<u>103,998</u>	<u>91,972</u>	<u>121,421</u>	<u>149,036</u>
All Other Governmental Funds				
Nonspendable	12,054	12,538	11,974	13,116
Restricted	893,870	793,287	668,328	521,775
Committed	15,544	13,994	10,748	11,540
Total All Other Governmental Funds	<u>921,468</u>	<u>819,819</u>	<u>691,050</u>	<u>546,431</u>
Total all Governmental Funds	<u>\$ 1,025,466</u>	<u>\$ 911,791</u>	<u>\$ 812,471</u>	<u>\$ 695,467</u>

⁽¹⁾ In fiscal year 2016, Sanitation was reclassified from governmental funds to enterprise funds.

Source: Comprehensive Annual Financial Report for the respective years unless restated, which is from the subsequent years' Comprehensive Annual Financial Report, notes to the financial statements

Table 3

2013	2014	2015	2016 ⁽¹⁾	2017	2018
\$ 9,324	\$ 10,044	\$ 9,894	\$ 10,659	\$ 11,143	\$ 11,227
8,506	11,236	8,485	9,593	12,061	10,244
1,250	1,250	10,570	1,250	1,250	1,250
17,086	28,905	29,603	15,836	38,963	20,727
120,839	129,239	141,550	153,693	171,747	212,806
157,005	180,674	200,102	191,031	235,164	256,254
13,647	13,885	17,119	17,484	14,044	10,102
546,308	367,619	650,698	761,184	658,712	894,157
14,406	14,541	14,602	13,781	17,186	22,642
574,361	396,045	682,419	792,449	689,942	926,901
<u>\$ 731,366</u>	<u>\$ 576,719</u>	<u>\$ 882,521</u>	<u>\$ 983,480</u>	<u>\$ 925,106</u>	<u>\$ 1,183,155</u>

CITY OF DALLAS, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)
(in thousands)

	2009	2010	2011	2012
REVENUES:				
Ad valorem taxes	\$ 658,195	\$ 643,517	\$ 659,793	\$ 650,701
Tax increment financing, intergovernmental	-	6,739	6,601	6,172
Sales taxes	208,169	205,933	217,148	231,327
Franchise fees	124,891	123,721	128,757	129,508
Licenses and permits	3,569	5,349	5,798	6,185
Intergovernmental	94,954	114,928	128,400	118,042
Service to others	215,197	230,373	232,350	224,869
Fines and forfeitures	37,774	41,364	38,781	36,336
Investment income	34,996	8,962	6,664	6,350
Special assessments	-	-	-	-
Contributions and gifts	6,988	5,824	22,236	8,555
Confiscated money awards	2,101	3,758	1,784	2,883
Other revenues	8,468	4,676	5,705	4,764
Total revenues	<u>1,395,302</u>	<u>1,395,144</u>	<u>1,454,017</u>	<u>1,425,692</u>
EXPENDITURES:				
Current:				
General government	178,832	177,777	162,471	170,268
Public safety	629,199	640,205	622,299	623,260
Code enforcement ⁽¹⁾	149,060	149,969	159,052	157,829
Environmental and health services	37,639	20,009	23,419	20,623
Streets, public works, and transportation ^{(1) (2)}	15,452	13,803	15,681	20,336
Equipment and building services	12,280	21,260	19,827	17,406
Culture and recreation	124,073	107,140	105,253	101,776
Housing	1,303	8,257	7,249	8,327
Human services	28,991	32,819	33,035	26,677
Debt Service:				
Principal	150,909	202,748	152,193	154,600
Interest and fiscal charges	96,037	89,580	99,080	88,608
Payment to refunded bond escrow agent	-	-	-	-
Capital outlay	279,211	230,864	207,362	237,055
Total expenditures	<u>1,702,986</u>	<u>1,694,431</u>	<u>1,606,921</u>	<u>1,626,765</u>
Excess(deficiency) of revenues over expenditures	<u>(307,684)</u>	<u>(299,287)</u>	<u>(152,904)</u>	<u>(201,073)</u>
OTHER FINANCING SOURCES(USES):				
Transfers in	85,603	72,376	42,946	48,093
Transfers out	(72,925)	(46,244)	(21,498)	(23,330)
Proceeds from sale of capital assets	33,762	5,943	10,662	8,157
Premium on debt issued	7,945	32,032	21,613	3,261
Issuance of long-term debt	250,838	303,686	159,816	47,888
Payment to refunded bond escrow agent	-	(182,181)	(217,974)	-
Proceeds from repayment of notes receivable	-	-	-	-
Refunding bonds issued	-	-	58,019	-
Total other financing sources(uses)	<u>305,223</u>	<u>185,612</u>	<u>53,584</u>	<u>84,069</u>
Net change in fund balance	<u>\$ (2,461)</u>	<u>\$ (113,675)</u>	<u>\$ (99,320)</u>	<u>\$ (117,004)</u>
Debt service as a percentage of noncapital expenditures	17.34%	19.97%	17.95%	17.50%

⁽¹⁾ In fiscal year 2017, streets, public works, and transportation were combined.
Code enforcement was reported separately.

⁽²⁾ In fiscal year 2016, Sanitation was reclassified from governmental funds to enterprise funds.

*Source: Comprehensive Annual Financial Report for the respective years unless restated, which is from the subsequent years' Comprehensive Annual Financial Report, notes to the financial statements.

Table 4

	2013	2014	2015	2016 ⁽¹⁾	2017	2018
\$	660,496	\$ 687,891	\$ 734,885	\$ 791,087	\$ 853,733	\$ 912,645
	6,937	4,108	4,892	6,473	8,829	11,139
	243,697	257,467	275,250	285,669	295,361	307,149
	131,009	136,951	132,719	140,184	144,205	151,793
	6,271	6,232	6,047	6,232	5,242	10,555
	102,879	99,326	87,633	98,329	95,019	82,637
	236,911	255,997	261,685	182,959	192,420	197,862
	35,525	34,079	34,879	39,262	37,336	36,278
	2,454	2,542	7,235	9,804	9,324	15,801
	-	-	-	-	-	31,070
	19,367	32,057	25,848	15,270	18,931	23,580
	2,253	3,493	4,764	3,256	2,810	4,063
	3,215	7,671	9,401	12,640	14,898	18,129
	<u>1,451,014</u>	<u>1,527,814</u>	<u>1,585,238</u>	<u>1,591,165</u>	<u>1,678,108</u>	<u>1,802,701</u>
	172,910	227,195	203,780	224,342	240,142	314,174
	643,510	656,941	685,444	700,430	721,753	752,278
	165,875	175,853	186,631	129,472	40,509	42,717
	18,629	16,662	17,757	18,576	16,597	16,650
	28,548	19,467	17,257	18,046	112,924	107,830
	21,290	25,648	23,439	24,375	25,411	25,564
	110,676	120,198	129,866	140,566	147,098	159,837
	9,499	10,290	13,551	11,932	14,075	3,954
	22,747	20,741	20,440	25,285	25,284	19,325
	147,293	147,177	168,962	165,234	169,820	168,406
	78,611	79,256	84,543	93,109	89,778	96,318
	3,204	-	-	2,880	-	30,675
	240,196	265,262	204,012	228,726	213,060	266,364
	<u>1,662,988</u>	<u>1,764,690</u>	<u>1,755,682</u>	<u>1,782,973</u>	<u>1,816,451</u>	<u>2,004,092</u>
	<u>(211,974)</u>	<u>(236,876)</u>	<u>(170,444)</u>	<u>(191,808)</u>	<u>(138,343)</u>	<u>(201,391)</u>
	38,508	57,022	41,053	54,465	64,359	77,495
	(14,178)	(18,647)	(15,357)	(19,265)	(28,929)	(87,574)
	17,427	2,238	32,976	610	342	716
	69,304	-	95,392	31,556	-	36,444
	517,671	41,616	388,895	230,310	44,197	432,359
	(380,859)	-	(271,433)	-	-	-
	-	-	-	6,143	-	-
	-	-	204,720	2,880	-	-
	<u>247,873</u>	<u>82,229</u>	<u>476,246</u>	<u>306,699</u>	<u>79,969</u>	<u>459,440</u>
\$	<u>35,899</u>	<u>\$(154,647)</u>	<u>\$ 305,802</u>	<u>\$ 114,891</u>	<u>\$(58,374)</u>	<u>\$ 258,049</u>
	15.88%	15.10%	16.34%	16.62%	16.19%	15.23%

Table 5

CITY OF DALLAS, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years (Unaudited)
(in thousands)

Fiscal Year	Real Property Estimated Market Value ⁽²⁾	Personal Property Estimated Market Value ⁽²⁾	Less: Tax-Exempt Property ⁽²⁾	Total Taxable Assessed Value ^{(1) (4)}	Total Direct Tax Rate ⁽³⁾
2009	\$ 100,983,132	\$ 14,859,528	\$ (25,364,727)	\$ 90,477,933	0.7479
2010	97,533,425	15,055,400	(25,324,730)	87,264,095	0.7479
2011	94,008,753	13,706,221	(24,289,495)	83,425,479	0.7970
2012	92,312,007	13,741,870	(24,060,131)	81,993,746	0.7970
2013	94,522,089	14,203,657	(25,044,024)	83,681,722	0.7970
2014	98,764,424	14,903,530	(26,416,432)	87,251,522	0.7970
2015	106,519,690	14,900,052	(28,281,532)	93,138,210	0.7970
2016	115,476,547	15,323,489	(30,481,099)	100,318,937	0.7970
2017	128,220,454	15,903,571	(33,736,396)	110,387,629	0.7825
2018	139,265,026	16,381,314	(37,331,663)	118,314,677	0.7804

Notes:

- ⁽¹⁾ Total Taxable Assessed Value represents original certified taxable value determined by the Dallas, Collin, Denton, and Rockwall Central Appraisal District.
- ⁽²⁾ Values for each fiscal year reflect the tax rolls of the previous year (i.e., 2018 fiscal year reflects 2017 tax roll). See Note 1 in the Notes to the Financial Statements for more information.
- ⁽³⁾ Per \$100 of valuation.
- ⁽⁴⁾ Exemptions are granted by the City within the constraints of Texas Constitutional law SC 5.

Source: Dallas Central Appraisal District

CITY OF DALLAS, TEXAS
CITY TAX RATE DISTRIBUTION
 Last Ten Fiscal Years (Unaudited)
 (Per \$100 of Assessed Value)
 (in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund	\$ 0.5230	\$ 0.4918	\$ 0.5324	\$ 0.5379	\$ 0.5439	\$ 0.5601	\$ 0.5646	\$ 0.5646	\$ 0.5601	\$ 0.5580
Debt Service Fund	0.2249	0.2561	0.2646	0.2591	0.2531	0.2369	0.2324	0.2324	0.2224	0.2224
Total City Tax Rate	<u>\$ 0.7479</u>	<u>\$ 0.7479</u>	<u>\$ 0.7970</u>	<u>\$ 0.7970</u>	<u>\$ 0.7970</u>	<u>\$ 0.7970</u>	<u>\$ 0.7970</u>	<u>\$ 0.7970</u>	<u>\$ 0.7825</u>	<u>\$ 0.7804</u>

Source: Dallas Central Appraisal District

Table 7

CITY OF DALLAS, TEXAS
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING TAX RATES
(PER \$100 OF ASSESSED VALUE)
 Last Ten Fiscal Years (Unaudited)

Fiscal Year	City Direct Rates ⁽¹⁾			Overlapping Rates ⁽²⁾				Total Ad valorem Rate
	Operating General Rates	General Obligation Debt Service	Dallas County	Dallas County Community College District	Dallas Independent School District	Dallas County School Equalization	Dallas County Hospital District	
2009	\$ 0.52300	\$ 0.22490	\$ 0.22810	\$ 0.08940	\$ 1.18340	\$ 0.00493	\$ 0.25400	\$ 2.50280
2010	0.49180	0.25610	0.22810	0.09490	1.27134	0.00521	0.27400	2.61624
2011	0.53240	0.26460	0.24310	0.09923	1.23781	0.01000	0.27100	2.64814
2012	0.53790	0.25910	0.24310	0.09967	1.29035	0.01000	0.27100	2.70112
2013	0.54390	0.25310	0.24310	0.11938	1.29035	0.00994	0.27100	2.72083
2014	0.56010	0.23690	0.24310	0.12470	1.28209	0.01000	0.27600	2.72289
2015	0.56460	0.23240	0.24310	0.12478	1.28209	0.01000	0.28600	2.73297
2016	0.56460	0.23240	0.24310	0.12365	1.28209	0.01000	0.28600	2.73184
2017	0.56010	0.22240	0.24310	0.12424	1.28209	0.01000	0.27940	2.71133
2018	0.55800	0.22240	0.24310	0.12424	1.28209	0.01000	0.27940	2.70923

Source: Dallas Central Appraisal District

⁽¹⁾ The City's basic property tax rate may be increased only by a majority vote of the City Council up to the limit of the State law, after which the City's residents may petition for a vote. Rates for debt service are set based on each year's requirements.

⁽²⁾ Overlapping rates are those of local and county governments that apply to property owners within the City of Dallas.

Table 8

CITY OF DALLAS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years (Unaudited)
(in thousands)

Fiscal Year	Actual Levy Year	Taxes Levied for the Fiscal Year	Collection Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Current tax collections	Percentage of Levy		Total Tax Collections	Percentage of Levy
2009	2008	\$ 676,684	\$ 647,697	95.72%	\$ 4,413	\$ 652,110	96.37%
2010	2009	652,648	631,848	96.81%	5,590	637,438	97.67%
2011	2010	664,901	647,605	97.40%	6,562	654,167	98.39%
2012	2011	653,490	638,999	97.78%	5,561	644,560	98.63%
2013	2012	666,943	650,496	97.53%	4,572	655,068	98.22%
2014	2013	695,395	678,179	97.52%	4,258	682,437	98.14%
2015	2014	742,312	724,668	97.62%	4,468	729,136	98.23%
2016	2015	799,542	780,733	97.65%	4,431	785,164	98.20%
2017	2016	863,783	850,200	98.43%	4,853	855,053	98.99%
2018	2017	923,328	902,849	97.78%	2,858	905,707	98.09%

Source: Dallas County Tax Assessor/Collector

Table 9

CITY OF DALLAS, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago (Unaudited)
 (in thousands)

Name of Taxpayer	Nature of Property	2018		2009		Percent of Total Taxable Assessed Valuation	Percent of Total Taxable Assessed Valuation
		Taxable Assessed Valuation	Rank	Taxable Assessed Valuation	Rank		
Oncor Electric Delivery	Electric Utility	\$ 835,141	1	641,527	4	0.83%	0.74%
Northpark Land Partners	Developer	700,213	2	545,522	5	0.70%	0.63%
Texas Instruments	Electronic Manufacturing	602,986	3	965,493	1	0.60%	1.11%
Southwest Airlines	Air Transportation	578,256	4	494,737	6	0.58%	0.57%
AT&T Corporation	Telephone Utility	518,661	5	-	-	0.52%	-
DCI Tech Infomart LP	Telecom	508,215	6	-	-	0.51%	-
FM Village Fixed Rate LLC	Developer	494,727	7	-	-	0.49%	-
SPUS7 Galleria LP	Developer	375,827	8	-	-	0.37%	-
Walmart Stores, Inc.	Retailer	340,575	9	-	-	0.34%	-
Galleria Mall Investors LP	Developer	333,145	10	364,051	7	0.33%	0.42%
Crescent TC Investors LP/Real Estate	Developer	-	-	702,635	3	-	0.81%
PC Village Apartments Dallas LP	Developer	-	-	303,853	9	-	0.35%
Teachers Insurance	Insurance	-	-	273,948	10	-	0.31%
YPI Thanksgiving Tower/Central Expy ETA Developer		-	-	307,340	8	-	0.35%
AT&T/Southwestern Bell/Cingular	Telephone Utility	-	-	766,075	2	-	0.88%
		<u>\$ 5,287,745</u>		<u>\$ 5,365,181</u>		<u>5.27%</u>	<u>6.17%</u>

Source: Dallas County Tax Office

Table 10

CITY OF DALLAS, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended September 30, 2018 (Unaudited)
(in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Overlapping Debt</u>
Direct Debt:			
City of Dallas			
Debt repaid with property taxes			
General obligation bonds	\$ 1,699,537		\$ 1,699,537
Certificates of obligation	10,779		10,779
Pension obligation bonds	244,418		244,418
Other Debt			
Capital leases payable	75,788		75,788
Commercial paper	35,160		35,160
Long-term notes payable	48,058		48,058
Subtotal, direct debt	<u>2,113,740</u>	<u>100.00 %</u>	<u>2,113,740</u>
Overlapping Debt:			
Carrollton-Farmers Branch ISD	178,785	7.56 %	13,516
Cedar Hill Independent School District	118,249	1.25 %	1,478
Collin County	319,710	4.08 %	13,044
Collin County Community College District	246,415	4.08 %	10,054
Coppell Independent School District	322,505	3.07 %	9,901
Dallas County	172,265	48.41 %	83,394
Dallas County Community College District	228,350	48.41 %	110,544
Dallas County Hospital District	687,775	50.47 %	347,120
Dallas County Schools	36,600	48.41 %	17,718
Dallas Independent School District	2,817,050	88.63 %	2,496,751
Denton County	612,630	1.65 %	10,108
Duncanville Independent School District	209,011	44.86 %	93,762
Garland Independent School District	595,540	2.14 %	12,745
Grand Prairie Independent School District	499,730	1.46 %	7,296
Highland Park Independent School District	387,485	9.70 %	37,586
Irving Independent School District	428,970	2.43 %	10,424
Lancaster Independent School District	206,147	0.30 %	618
Lewisville Independent School District	1,243,717	0.17 %	2,114
Mesquite Independent School District	637,013	1.09 %	6,943
Plano Independent School District	957,625	10.39 %	99,497
Richardson Independent School District	557,015	57.69 %	321,342
Rockwall County	99,520	0.11 %	110
Rockwall Independent School District	480,597	0.10 %	481
Sunnyvale Independent School District	97,145	0.01 %	10
Subtotal, overlapping debt	<u>\$ 12,139,849</u>		<u>\$ 3,706,557</u>
City Of Dallas (direct debt)	<u>2,113,740</u>	100.00 %	<u>2,113,740</u>
Total direct and overlapping debt	<u>\$ 14,253,589</u>		<u>\$ 5,820,297</u>
Ratio of Direct and Estimated Share of Overlapping Tax Debt to Taxable Assessed Valuation			5.27%
Per Capita Direct and Overlapping Tax Debt (not in thousands)			4,526

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

⁽¹⁾ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. Debt outstanding data was obtained from each governmental unit.

CITY OF DALLAS, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years (Unaudited)

Governmental

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Equipment Acquisition Notes	Pension Obligation Bonds	TIF Bonds	Capital Leases Payable	Commercial Paper	Long-term Notes Payable	Revenue and Refunding Bonds
2009	\$ 1,553,177	\$ 75,888	\$ 71,088	\$ 412,559	\$ 5,397	\$ 9,526	\$ -	\$ 9,774	\$ 2,121,743
2010	1,564,938	58,915	45,802	412,018	-	7,072	-	7,833	2,234,823
2011	1,467,092	36,456	43,038	412,720	-	6,231	-	5,826	2,280,946
2012	1,343,278	50,031	22,385	410,168	-	6,526	25,000	4,702	2,368,889
2013	1,452,292	36,477	9,375	407,301	-	17,737	-	31,635	2,423,049
2014	1,318,947	26,457	4,685	404,248	-	26,991	26,475	32,402	2,316,892
2015	1,558,578	21,871	-	400,411	-	52,488	27,880	44,208	2,577,258
2016	1,641,422	18,011	-	261,102	-	59,117	10,220	42,893	2,701,953
2017	1,486,496	14,117	-	253,016	-	59,565	9,650	49,027	2,900,670
2018	1,699,537	10,779	-	244,418	-	75,788	35,160	48,058	3,006,797

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

⁽¹⁾ These ratios are calculated using personal income and population data (See Table 15).

⁽²⁾ See Table 5 for property value data.

Table 11

Business-Type									
General Obligation Bonds	Pension Obligation Bonds	Commercial Paper	Long-term Notes Payable	Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾	Total Bonded Debt	Percentage of Estimated Actual Property Value ⁽²⁾	Per Capita ⁽¹⁾
\$ -	\$ 139,729	\$ 169,983	\$ 14,535	\$ 4,583,399	13.87%	\$ 3,509	\$ 2,252,441	2.49%	\$ 1,725
-	139,545	58,000	12,539	4,541,485	13.17%	3,451	2,221,218	2.55%	1,688
-	139,323	36,860	10,760	4,439,252	14.78%	3,699	2,098,629	2.52%	1,749
-	138,642	-	8,985	4,378,606	14.20%	3,628	1,964,504	2.40%	1,628
-	137,815	-	6,867	4,522,548	14.65%	3,670	2,043,260	2.44%	1,660
-	136,868	122,840	4,708	4,421,513	13.15%	3,663	1,891,205	2.17%	1,567
-	135,617	90,458	2,508	4,911,277	14.41%	3,948	2,116,477	2.27%	1,701
8,396	119,738	48,322	266	4,911,440	12.82%	3,904	2,048,669	2.04%	1,629
7,307	116,029	18,500	-	4,914,377	12.25%	3,870	1,876,965	1.70%	1,478
6,261	112,088	-	-	5,238,886	13.03%	4,074	2,073,083	1.75%	1,612

CITY OF DALLAS, TEXAS
LEGAL DEBT MARGIN
 Last Ten Fiscal Years (Unaudited)
 (in thousands)

	2009	2010	2011	2012
Total Assessed Valuation	\$90,477,933	\$87,264,095	\$83,425,479	\$81,993,746
Overall debt limitation - 10% of assessed valuation	<u>9,047,793</u>	<u>8,726,410</u>	<u>8,342,548</u>	<u>8,199,375</u>
Net Debt Subject to Limitation	2,006,271	1,938,126	1,798,332	1,666,007
Legal debt margin within 10% limitation (1)	<u>\$7,041,522</u>	<u>\$6,788,284</u>	<u>\$6,544,216</u>	<u>\$6,533,368</u>
Legal Debt Margin as a Percentage of the Debt Limit	77.8%	77.8%	78.4%	79.7%

⁽¹⁾ Chapter XXI, Section 3 of the City of Dallas Charter states, "The maximum bonded indebtedness of the City outstanding at any one time, and payable from taxation, shall not exceed 10% of the total assessed valuation of property shown by the last assessment roll of the City."

Table 12

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>\$83,681,722</u>	<u>\$87,251,522</u>	<u>\$93,138,211</u>	<u>\$100,318,937</u>	<u>\$110,387,629</u>	<u>\$118,314,677</u>
<u>8,368,172</u>	<u>8,725,152</u>	<u>9,313,821</u>	<u>10,031,894</u>	<u>11,038,763</u>	<u>11,831,468</u>
1,691,184	1,547,227	1,700,335	1,774,889	1,625,654	1,816,873
<u>\$6,676,988</u>	<u>\$7,177,925</u>	<u>\$7,613,486</u>	<u>\$8,257,005</u>	<u>\$9,413,109</u>	<u>\$10,014,595</u>
79.8%	82.3%	81.7%	82.3%	85.3%	84.6%

CITY OF DALLAS, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE
DALLAS WATER UTILITIES
Last Ten Fiscal Years (Unaudited)
(in thousands)

Fiscal Year	Net Revenue Available for Debt Service			Debt Service Requirements ⁽²⁾			Revenue Bond Coverage ⁽³⁾
	Gross Revenue	Expense ⁽¹⁾	Net Revenue	Principal	Interest	Total	
2009	\$ 490,729	\$ 245,846	\$ 244,883	\$ 95,330	\$ 75,940	\$ 171,270	1.43
2010	478,512	240,117	238,395	96,115	73,987	170,102	1.40
2011	508,040	228,844	279,196	96,115	80,444	176,559	1.58
2012	535,289	235,821	299,468	96,115	77,250	173,365	1.73
2013	554,686	233,177	321,509	89,510	84,269	173,779	1.85
2014	569,822	246,141	323,681	94,545	84,134	178,679	1.81
2015	568,841	287,983	280,858	96,675	86,186	182,861	1.54
2016	619,890	306,085	313,805	100,980	79,705	180,685	1.74
2017	630,542	283,669	346,873	101,803	85,955	187,758	1.85
2018	675,938	289,470	386,468	114,210	82,735	196,945	1.96

⁽¹⁾ Operating expenses do not include depreciation or any PILOT payments or similar payments that are not considered expenses of the operation and maintenance of the Water and Wastewater System.

Operating expenses includes payments for the Water Transmission Facilities Financing Agreement in, as explained in note 11.S. Per Texas Government Code, Section 1502.056(c), "a contract between a municipa and an issuer, as defined by Section 1201.002, under which the municipality obtains from the issuer part or all of the facilities or services of a utility system to that payments made by the municipality from the re of the utility system are an operating expense of the municipality's utility system."

⁽²⁾ Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the enterprise fund.

⁽³⁾ Revenue bond coverage is equal to net revenue available for debt service divided by total principal and interest.

CITY OF DALLAS, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE
CONVENTION CENTER FUND
 Last Ten Fiscal Years (Unaudited)
 (in thousands)

Fiscal Year	Net Revenue Available for Debt Service			Debt Service Requirements ⁽²⁾			Revenue Bond Coverage ⁽³⁾
	Gross Revenue	Expenditures ⁽¹⁾	Net Revenue	Principal	Interest	Total	
2009	\$ 73,871	\$ 40,170	\$ 33,701	\$ 1,725	\$ 18,696	\$ 20,421	1.7
2010	73,783	38,196	35,587	1,730	17,791	19,521	1.8
2011	77,332	38,354	38,978	2,205	16,487	18,692	2.1
2012	75,947	44,975	30,972	2,775	16,421	19,196	1.6
2013	85,820	52,850	32,970	3,675	16,282	19,957	1.7
2014	90,356	54,606	35,750	4,640	16,098	20,738	1.7
2015	99,805	57,479	42,326	5,740	15,866	21,606	2.0
2016	110,653	70,164	40,489	6,945	15,579	22,524	1.8
2017	111,515	71,123	40,392	8,250	15,232	23,482	1.7
2018	120,196	72,193	48,003	8,665	14,820	23,485	2.0

⁽¹⁾ Convention Center Revenue bond covenants require only Convention Center expenses be considered when calculating bond coverage.

⁽²⁾ Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the enterprise fund.

⁽³⁾ Revenue bond coverage is equal to net revenue available for debt service divided by total principal and interest.

CITY OF DALLAS, TEXAS
DEMOGRAPHIC STATISTICS AND ECONOMIC STATISTICS
 Last Ten Fiscal Years (Unaudited)

Fiscal Year	Population ⁽¹⁾	Personal Income ⁽³⁾	Per Capita Personal Income ⁽⁴⁾	Median Household Income ⁽³⁾	Median Age ⁽³⁾	Assessed Valuation (in thousands) ⁽⁷⁾	Labor Force	Unemployment ⁽²⁾	Unemployment Rate ⁽²⁾
2009	1,306,350	\$ 33,048,042,300	\$ 25,298	\$ 40,473	32.0	\$ 90,477,933	592,403	43,838	7.4 %
2010	1,316,350 ⁽⁵⁾	34,473,231,975 ⁽³⁾	26,189 ⁽⁴⁾	39,813 ⁽³⁾	31.8 ⁽³⁾	87,264,095	605,307	52,662	8.7 %
2011	1,200,530 ⁽⁶⁾	30,042,062,720 ⁽³⁾	25,024 ⁽⁴⁾	42,911 ⁽³⁾	31.6 ⁽³⁾	83,425,479 ⁽⁷⁾	607,860	52,884	8.7 %
2012	1,207,420	30,842,940,190 ⁽³⁾	25,545 ⁽⁴⁾	43,804 ⁽³⁾	31.7 ⁽³⁾	81,993,746 ⁽⁷⁾	580,975	44,955	7.7 %
2013	1,232,243	30,868,803,800 ⁽³⁾	25,051 ⁽⁴⁾	41,318 ⁽³⁾	32.0 ⁽³⁾	83,681,722 ⁽⁷⁾	591,278	39,966	6.8 %
2014	1,232,360	33,615,083,720 ⁽³⁾	27,277 ⁽⁴⁾	41,666 ⁽³⁾	32.3 ⁽³⁾	87,251,522 ⁽⁷⁾	596,473	34,977	5.9 %
2015	1,244,270	34,081,929,000 ⁽³⁾	27,391 ⁽⁴⁾	43,103 ⁽³⁾	32.1 ⁽³⁾	93,138,211 ⁽⁷⁾	642,785	26,917	4.2 %
2016	1,257,730	38,299,687,300	30,451 ⁽⁴⁾	44,461 ⁽³⁾	32.5 ⁽³⁾	100,318,937 ⁽⁷⁾	661,622	25,627	3.9 %
2017	1,270,170	40,127,279,400 ⁽³⁾	31,592 ⁽⁴⁾	46,581 ⁽³⁾	32.7 ⁽³⁾	110,387,629	676,091	27,356	4.1 %
2018	1,286,380	40,212,238,800 ⁽³⁾	31,260 ⁽⁴⁾	47,285 ⁽³⁾	32.5 ⁽³⁾	118,314,677 ⁽⁷⁾	694,383	25,302	3.6 %

⁽¹⁾ North Central Texas Council of Governments estimate

⁽²⁾ U.S. Bureau of Labor Statistics

⁽³⁾ Personal Income, Median Household Income, and Median Age are averages of previous two years. Personal income is the aggregate income in the past 12 months. Census Bureau.

⁽⁴⁾ Per Capita Personal Income is derived from Population and Personal Income values. Census Bureau.

⁽⁵⁾ The 2010 North Central Texas Council of Governments estimate difference from the 2010 Census value.

⁽⁶⁾ The 2011 North Central Texas Council of Governments estimate in based on 2010 Census and is NOT a continuation of previous 2001-2009 estimates. 2014 data obtained from United States Census Bureau.

⁽⁷⁾ Consolidated Appraisal Value from Budget Office

All values by year are current estimates as published by the source at the date of publication. Updates to the values after publication date by their source are not reflected.

Table 16

CITY OF DALLAS, TEXAS
PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago (Unaudited)

Name of Employers	2018			2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Dallas Independent School District	21,262	1	2.50%	20,387	1	3.44%
AT&T Inc.	17,000	2	2.00%	-	-	-
The University of Texas Southwestern Medical Center	15,060	3	1.77%	-	-	-
Baylor University Medical Center	12,624	4	1.49%	4,425	10	0.75%
City of Dallas	12,518	5	1.47%	13,528	2	2.28%
Medical City Dallas	12,119	6	1.43%	-	-	-
Texas Instruments Inc.	12,100	7	1.42%	9,958	4	1.68%
Parkland Health and Hospital System	10,336	8	1.22%	8,899	5	1.50%
Southwest Airlines Co.	9,931	9	1.17%	-	-	-
Dallas County	7,299	10	0.86%	7,994	6	1.24%
United States Postal Service				6,674	8	1.13%
UT Southwestern Medical Center	-	-	-	11,512	3	1.94%
Dallas County Community Collge	-	-	-	7,345	7	1.50%
Pilgrim's Pride	-	-	-	5,350	9	0.90%
Total	130,249		15.33%	96,072		16.36%

Source: Hoovers; Dallas Business Journal Book of Lists 2018 (December 2017); and the City of Dallas Office of Economic Development.

CITY OF DALLAS, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last ten fiscal years (Unaudited)

Function/Program	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Public safety</u>				
Police stations	8	8	8	8
Fire stations	56	56	56	56
 <u>Streets, public works and transportation</u>				
Streets - paved (miles)	3,585	3,541	4,020	4,028
Lane miles	11,633	11,672	11,804	11,676
Traffic signals	1,315	1,329	1,328	1,333
Street lights	86,902	86,514	86,321	86,406
 <u>Parks and recreation</u>				
Parks	376	368	371	378
Parks acres	23,042	23,080	23,080	23,164
Miles of trails (jogging, hiking & biking)	99	107	107	125
Number of lakes	18	18	18	18
Swimming pools	22	22	22	22
Spraygrounds "Water-enhanced playground"	8	8	8	8
Athletic fields (soccer, football, baseball & rugby)	277	278	278	278
Tennis centers	5	5	5	5
Number of tennis courts	81	81	81	81
Neighborhood tennis courts	177	171	171	171
Multi-use courts	154	154	154	154
Golf courses (18 holes)	6	6	6	6
Recreation centers (community)	43	43	43	43
 <u>Water</u>				
Water mains (miles)	4,980	5,024	5,166	4,915
Fire hydrants	28,373	27,800	27,800	29,028
 <u>Wastewater</u>				
Miles of sanitary sewers	4,267	4,293	4,364	4,020
Miles of storm sewers	1,749	1,768	1,788	1,790

Source: City capital asset records

TABLE 17

2013	2014	2015	2016	2017	2018
8	8	8	8	8	8
57	57	58	58	58	58
4,031	4,033	4,041	4,034	4,027	4,027
11,701	11,771	11,754	11,775	11,757	11,755
1,342	1,348	1,354	1,354	1,535	1,544
87,263	87,355	87,790	87,790	91,000	88,122
374	381	380	389	396	397
23,331	22,842	23,470	23,147	20,109	20,245
130	130	144	153	158	161
18	13	13	13	13	13
20	18	18	19	19	20
10	10	11	11	11	11
272	272	271	278	274	269
5	5	5	5	5	5
81	81	81	81	99	99
177	177	177	177	157	157
156	156	153	154	158	154
6	6	6	6	6	6
43	43	43	43	43	43
4,922	4,922	4,925	4,937	4,955	4,983
29,243	29,626	29,666	29,857	30,176	30,558
4,017	4,017	4,017	4,020	4,022	4,040
1,791	1,791	1,800	1,820	1,838	1,963

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

Function/Program	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety				
Police				
Calls for Service	690,768	596,742	632,365	589,865
Fire				
Calls for Service - Fire	117,721	115,462	145,298	59,784
Calls for Service - EMS	163,100	166,585	173,666	172,032
Recreation				
Number of Membership Scans	N/A	N/A	N/A	N/A
Building Permits				
Permits Issued	28,408	26,997	34,786	43,064
Estimated Value	\$1,841,471,331	\$1,843,819,294	\$3,083,719,959	\$2,310,325,994
Airport				
Airport Operations (Takeoffs and Landings)	176,977	168,373	178,054	177,067
Utilities (millions of gallons)				
Water Usage - Peak	626	638	683	649
Water Usage - Average	406	388	428	395

Source: Department annual records

Note:

N/A - Information not available

Table 18

2013	2014	2015	2016	2017	2018
591,997	590,443	599,319	628,871	608,548	586,727
46,127	42,346	41,049	43,228	43,783	53,171
193,820	195,802	189,894	202,212	206,323	206,161
348,830	545,998	564,684	632,246	453,369	344,127
38,478	36,044	37,951	41,480	40,650	38,826
\$2,652,432,543	\$3,305,921,947	\$4,097,419,967	\$4,636,962,395	\$4,264,728,943	\$4,011,159,859
178,232	176,889	209,121	223,997	225,754	232,380
583	535	619	592	511	607
391	369	374	369	372	389

Table 19

CITY OF DALLAS, TEXAS
HEADCOUNT OF CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last Ten Fiscal Years (Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
City Manager's Office	39	45	30	20	14	15	14	12	11	13
City Attorney	156	120	116	122	144	144	149	153	157	150
City Auditor	36	31	28	20	19	22	22	22	23	25
City Controller's Office	N/A	42	42	44	42	42	42	41	47	48
City Secretary	20	16	14	14	15	14	15	17	18	21
Code Compliance	410	461	408	401	388	397	404	440	455	345
Communication & Information Services	196	197	164	168	173	170	163	170	188	187
Dallas Animal Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	131
Office of Economic Development	47	41	40	40	41	41	39	36	37	27
Environment & Health Service	438	-	-	-	-	-	-	-	-	-
Environmental Quality	22	-	-	-	-	-	-	-	-	-
Equipment & Building Services	413	384	360	381	435	461	461	452	491	469
Office of Budget	236	26	28	30	39	39	47	30	31	34
Human Resources	79	54	50	40	41	47	49	53	54	49
Housing & Neighborhood Revitalization	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	40
Housing	72	428	412	391	364	357	367	357	304	N/A
Office of Cultural Affairs	65	46	47	56	64	61	64	63	63	68
Emergency Management	6	-	-	-	-	-	-	-	-	-
Municipal Court-Judiciary	31	40	37	32	34	33	32	29	32	30
Courts & Detention Services	175	170	155	161	151	145	152	158	153	140
Office of Procurement Services	47	42	40	39	39	41	41	40	36	31
Planning & Urban Design	-	-	-	-	-	-	23	28	28	26
Sustainable Development & Construction Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	297
Library	487	360	278	259	264	266	348	391	389	407
Management Services	-	145	137	164	160	164	160	181	199	452
Subtotal	2,975	2,648	2,386	2,382	2,427	2,459	2,592	2,673	2,716	2,990
Public Safety										
Police-Uniform	3,455	3,662	3,510	3,470	3,463	3,524	3,483	3,354	3,075	3,033
Police-Civilian	712	582	550	541	557	540	545	550	624	568
Fire-Uniform	1,768	1,776	1,738	1,874	1,870	1,867	1,901	1,878	1,811	1,940
Fire-Civilian	95	84	84	85	82	92	104	102	105	103
Subtotal	6,030	6,104	5,882	5,970	5,972	6,023	6,033	5,884	5,615	5,644
Development Services	292	198	197	224	237	264	269	280	299	N/A
Public Works										
Public Works & Transportation	448	305	272	140	143	144	138	137	-	-
Streets, Public Works, and Transportation ⁽¹⁾	514	371	400	496	485	491	510	508	609	633
Trinity Watershed Management	-	141	147	172	170	193	205	207	209	208
Subtotal	962	817	819	808	798	828	853	852	818	841
Parks and Recreation	955	634	594	581	598	614	661	729	691	702
Water Utilities	1,459	1,425	1,369	1,406	1,440	1,432	1,463	1,439	1,439	1,363
Convention & Events Services	102	101	83	80	71	74	80	98	111	106
Aviation	174	180	170	178	196	187	203	206	240	261
Sanitation	503	456	451	458	460	472	488	483	487	483
Other										
Mayor & Council	35	36	35	37	37	36	39	37	40	37
Employee Retirement	19	20	20	21	22	19	23	25	28	29
Civil Services	21	14	13	15	18	20	24	22	28	26
Office of Risk Management	-	-	-	23	24	24	22	27	26	36
Police & Fire Pension	1	1	-	-	-	-	-	-	-	-
Subtotal	76	71	68	96	101	99	108	111	122	128
Total	13,025	12,178	11,568	11,725	11,840	11,980	12,262	12,272	12,538	12,518

Source: City Human Resources Records

⁽¹⁾ In fiscal year 2017, streets, public works, and transportation were combined.



“Our Product is Service”
Empathy | Ethics | Excellence | Equity

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