

Dallas County Park Cities Municipal Utility District

Financial Report
September 30, 2018

Dallas County Park Cities Municipal Utility District
 Financial Report
 For the Fiscal Year Ended September 30, 2018
 Table of Contents

| | Page | Exhibit |
|----------------------------------------------------------------------------------------|------|---------|
| Annual Filing Affidavit | ii | |
| Financial Section | | |
| Independent Auditor's Report | 2 | |
| Management's Discussion and Analysis | 4 | |
| Basic Financial Statements | | |
| Statement of Net Position | 7 | |
| Statement of Revenues, Expenses and Changes in Net Position | 8 | |
| Statement of Cash Flows | 9 | |
| Notes to Financial Statements | 10 | |
| Required Supplementary Information | | |
| Schedule of Changes in Net Pension Liability and Related Ratios | 21 | |
| Schedule of Employer Contributions | 22 | |
| Notes to Required Supplementary Information | 23 | |
| Supplemental Information | | |
| Budgetary Comparison Schedule – Enterprise Fund | 25 | |
| Texas Supplemental Information | | |
| Index of Supplemental Schedules Included Within this Report | | |
| Required by the Texas Commission on Environmental Quality | 26 | |
| Schedule of Services and Rates – Unaudited | 27 | TSI-1 |
| Schedule of Expenses – Enterprise Fund | 29 | TSI-2 |
| Schedule of Temporary Investments | 30 | TSI-3 |
| Schedule of Long-Term Debt Service Requirements | 31 | TSI-5 |
| Schedule of Changes in Long-Term Debt | 32 | TSI-6 |
| Comparative Schedule of Revenues and Expenses Enterprise Fund - Five Years Ended | 33 | TSI-7 |
| Board Members, Key Personnel, and Consultants - Unaudited | 34 | TSI-8 |

Annual Filing Affidavit

THE STATE OF TEXAS}
COUNTY OF: _____ }

I, _____
(Name of Duly Authorized District Representative)

of the Dallas County Park Cities Municipal Utility District
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the ____ day of _____, 20__ its annual audit report for the fiscal year or period ended September 30, 2018 and that copies of the annual audit report have been filed in the District office, located at 1811 Regal Row, Dallas, Texas.

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: _____, 20____.

By: _____
(Signature of District Representative)

(Typed Name & Title of Above District Representative)

Sworn to and subscribed to before me this ____ day of _____, 20____.

(Signature of Notary)

(SEAL)

My Commission expires on: _____, _____, Notary Public in and for the State of Texas.

Financial Section

Independent Auditor's Report

To the Board of Directors of
Dallas County Park Cities Municipal Utility District

We have audited the accompanying basic financial statements of Dallas County Park Cities Municipal Utility District (District) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dallas County Park Cities Municipal Utility District, as of September 30, 2018, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors of
Dallas County Park Cities Municipal Utility District

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6, the schedule of changes in net pension liability and related ratios, schedule of employer contributions and notes to required supplementary information on pages 21-23 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Dallas County Park Cities Municipal Utility District. The budgetary comparison schedule – enterprise fund on page 25 and the Texas Supplemental Information on pages 27-34 are required by the Texas Commission on Environment Quality as published in the Water District Financial Management guide. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information (excluding the portion marked unaudited) for which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 9, 2019

Management's Discussion and Analysis

The following discussion and analysis is provided by the Dallas County Park Cities Municipal Utility District, hereafter referred to as the District.

The Dallas County Park Cities Municipal Utility District was created in 1938 primarily to treat raw water from Lake Grapevine, Texas, for the Town of Highland Park and City of University Park, Texas.

Financial Highlights

- The assets and deferred outflows of resources of the District at the end of the year totaled \$52,311,975.
- The net position of the District at the end of the year was \$28,902,390 and increased during the year by \$301,109 or 1.05%.
- The District had operating income of \$2,127,324 for the year.
- The District's cash and cash equivalents increased during the year by \$577,905.
- The District's net capital assets decreased during the year by \$1,130,986.
- The District's long-term bonds payable and unamortized bond premiums decreased during the year by \$1,472,292.
- Net pension liability totaled \$213,658, which was a decrease of \$424,896 for the year.

Overview of the Financial Statements

This section is intended to serve as introduction to the District's basic financial statements. The basic financial statements are: 1) Statement of Net Position; 2) Statement of Revenues, Expenses and Changes in Net Position; and 3) Statement of Cash Flows.

The financial statements of the District report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and creditworthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The financial statements also include notes that explain in more detail some of the information in the financial statements.

Overview of Financial Activities and Analysis

To begin our analysis, summaries of the District's Statements of Net Position and Statement of Revenues, Expenses, and Changes in Net Position are presented below.

Condensed Statements of Net Position

| | September 30, 2018 | September 30, 2017 | Dollar Change | Percent Change |
|------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Current and other assets | \$ 9,677,522 | \$ 9,347,205 | \$ 330,317 | 3.5% |
| Capital assets, net | 42,428,085 | 43,559,071 | (1,130,986) | -2.6% |
| Deferred outflows of resources | 206,368 | 552,209 | (345,841) | -62.6% |
| Total assets and deferred outflows of resources | \$ 52,311,975 | \$ 53,458,485 | \$ (1,146,510) | -2.1% |
| Current liabilities | \$ 2,282,325 | \$ 1,883,670 | \$ 398,655 | 21.2% |
| Noncurrent liabilities | 21,006,159 | 22,958,347 | (1,952,188) | -8.5% |
| Deferred inflows of resources | 121,101 | 15,187 | 105,914 | 697.4% |
| Total liabilities | 23,409,585 | 24,857,204 | (1,447,619) | -5.8% |
| Net investment in capital assets | 20,125,584 | 19,784,278 | 341,306 | 1.7% |
| Restricted for debt service | 378,718 | 388,418 | (9,700) | -2.5% |
| Unrestricted | 8,398,088 | 8,428,585 | (30,497) | -0.4% |
| Total net position | 28,902,390 | 28,601,281 | 301,109 | 1.1% |
| Total liabilities and net position | \$ 52,311,975 | \$ 53,458,485 | \$ (1,146,510) | -2.1% |

Condensed Statements of Revenues, Expenses, and Changes in Net Position

| | Year Ended September 30, 2018 | Year Ended September 30, 2017 | Dollar Change | Percent Change |
|----------------------------|-------------------------------------|-------------------------------------|--------------------------|--------------------|
| Operating revenues | \$ 8,201,035 | \$ 7,430,718 | \$ 770,317 | 10.4% |
| Non-operating revenues | 204,236 | 108,022 | 96,214 | 89.1% |
| Total revenues | <u>8,405,271</u> | <u>7,538,740</u> | <u>866,531</u> | <u>11.5%</u> |
| Depreciation expense | 2,442,987 | 2,452,543 | (9,556) | -0.4% |
| Other operating expenses | 3,630,724 | 4,087,025 | (456,301) | -11.2% |
| Non-operating expenses | <u>2,030,451</u> | <u>2,050,913</u> | <u>(20,462)</u> | <u>-1.0%</u> |
| Total expenses | <u>8,104,162</u> | <u>8,590,481</u> | <u>(486,319)</u> | <u>-5.7%</u> |
| Change in net position | 301,109 | (1,051,741) | 1,352,850 | 128.6% |
| Beginning net position | <u>28,601,281</u> | <u>29,653,022</u> | <u>(1,051,741)</u> | <u>-3.5%</u> |
| Ending net position | <u><u>\$ 28,902,390</u></u> | <u><u>\$ 28,601,281</u></u> | <u><u>\$ 301,109</u></u> | <u><u>1.1%</u></u> |

The overall financial position of the District is strong. The decrease in net capital assets represents depreciation taken on the Membrane Filter Facility and Plant Improvement project that was completed and placed in service. The decrease in current liabilities represents a decrease in amounts owed to the contractor and engineer as the project was completed. The decrease in long-term liabilities is due to payments on the October 2010 revenue bonds.

The increase in operating revenues is due to a slight increase in overall rates.

There were no amendments to the District's budget during the year. Operating expenses were \$352,750 less than budgeted, primarily as a result of less repairs and maintenance, chemicals, professional fees and lower utility expenses than previously budgeted.

Capital Asset and Debt Administration

The District's investment in capital assets as of September 30, 2018, consists of buildings, water systems, easements and rights-of-way, vehicles, machinery and equipment, and furniture and fixtures. The District issued \$33 million in revenue bonds in October 2010 to fund its Membrane Filter Facility and Plant Improvement project.

Economic Factors and Next Year's Budget and Rates

The economic outlook for both the water industry and the District continues to be stable. Water revenues are influenced directly by weather conditions. A dry year will result in increased revenues as well as increased expenses, while a wet year will result in decreased revenues as well as decreased expenses. The 2018 budget is based on an average weather year.

Request for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dallas County Park Cities Municipal Utility District, 1811 Regal Row, Dallas, Texas 75235, or contact Larry McDaniel at (214) 652-8639.

Dallas County Park Cities Municipal Utility District

Statement of Net Position

September 30, 2018

ASSETS

CURRENT ASSETS

| | | |
|--------------------------------|----|------------------|
| Cash and cash equivalents | \$ | 8,952,235 |
| Receivables: | | |
| City of University Park | | 459,245 |
| Town of Highland Park | | 231,665 |
| City of Grapevine | | 32,447 |
| Brookhollow Country Club | | 1,639 |
| Prepaid items and other assets | | 291 |
| Total current assets | | <u>9,677,522</u> |

NONCURRENT ASSETS

| | | |
|--------------------------------|--|---------------------|
| Capital assets | | 62,245,365 |
| Less: accumulated depreciation | | <u>(19,817,280)</u> |
| Total noncurrent assets | | 42,428,085 |

DEFERRED OUTFLOWS OF RESOURCES

| | | |
|--------------------------|--|----------------|
| Related to TCDRS Pension | | <u>206,368</u> |
|--------------------------|--|----------------|

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 52,311,975

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | | |
|------------------------------------|----|------------------|
| Current portion of bonds payable | \$ | 1,510,000 |
| Accounts payable | | 491,852 |
| Salaries and wages payable | | 47,657 |
| Payroll taxes and related payables | | 33,949 |
| Accrued compensated absences | | 62,649 |
| Accrued interest payable | | 136,218 |
| Total current liabilities | | <u>2,282,325</u> |

NONCURRENT LIABILITIES

| | | |
|-------------------------------|--|----------------|
| Bonds payable | | 20,792,501 |
| Net pension liability - TCDRS | | <u>213,658</u> |
| Total noncurrent liabilities | | 21,006,159 |

DEFERRED INFLOWS OF RESOURCES

| | | |
|--------------------------|--|----------------|
| Related to TCDRS Pension | | <u>121,101</u> |
|--------------------------|--|----------------|

NET POSITION

| | | |
|------------------------------------------|--|-------------------|
| Net investment in capital assets | | 20,125,584 |
| Restricted for debt service | | 378,718 |
| Unrestricted: | | |
| Special restoration and capital projects | | 6,502,000 |
| Subsequent year's operating expenses | | <u>1,896,088</u> |
| Total net position | | <u>28,902,390</u> |

TOTAL LIABILITIES AND NET POSITION

\$ 52,311,975

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

Dallas County Park Cities Municipal Utility District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended September 30, 2018

OPERATING REVENUES

| | |
|--------------------------|--------------|
| City of University Park | \$ 5,131,899 |
| Town of Highland Park | 2,647,521 |
| City of Grapevine | 370,845 |
| Brookhollow Country Club | 50,770 |
| | <hr/> |
| Total operating revenues | 8,201,035 |

OPERATING EXPENSES

| | |
|----------------------------------------|-----------|
| Salaries and wages | 1,376,865 |
| Utilities | 544,786 |
| Depreciation | 2,442,987 |
| Chemicals | 455,764 |
| Group insurance premiums | 248,502 |
| Retirement premiums | 188,896 |
| Social Security and Medicare tax | 100,810 |
| Professional fees | 43,208 |
| Maintenance and repairs | 148,614 |
| Other operating expenses | 378,426 |
| Insurance and surety bond premiums | 89,759 |
| Contract labor | 27,125 |
| Legal notices and publications | 14,455 |
| Fuels and lubricants | 7,603 |
| Printing, office supplies, and postage | 5,911 |
| | <hr/> |
| Total operating expenses | 6,073,711 |

OPERATING INCOME

2,127,324

NON-OPERATING REVENUES (EXPENSES)

| | |
|-----------------------------------------|-------------|
| Investment income | 152,841 |
| Interest expense | (848,513) |
| Loss on retirement of capital assets | (129,938) |
| Miscellaneous income | 51,395 |
| Contributions to other governments | (1,052,000) |
| | <hr/> |
| Total non-operating revenues (expenses) | (1,826,215) |

INCREASE IN NET POSITION

301,109

| | |
|-----------------------------------|------------|
| Net position at beginning of year | 28,601,281 |
| | <hr/> |

NET POSITION AT END OF YEAR

\$ 28,902,390

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

Dallas County Park Cities Municipal Utility District

Statement of Cash Flows

For the Fiscal Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|-------------------------------------------|--------------|
| Cash received from customers | \$ 8,363,419 |
| Cash paid to suppliers | (1,914,781) |
| Cash paid to employees | (1,250,524) |
| | <hr/> |
| Net cash provided by operating activities | 5,198,114 |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|-----------------------------------------------------------|-------------|
| Purchase of capital assets | (1,442,063) |
| Proceeds from sale of capital assets | 125 |
| Principal paid on bonds | (1,455,000) |
| Contributions to other governments | (1,052,000) |
| Interest paid on bonds | (875,507) |
| | <hr/> |
| Net cash used in capital and related financing activities | (4,824,445) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|------------------------------------------------|-----------|
| Interest received | 152,841 |
| Miscellaneous income | 51,395 |
| | <hr/> |
| Net cash provided by investing activities | 204,236 |
| | <hr/> |
| Net increase in cash and cash equivalents | 577,905 |
| Cash and cash equivalents at beginning of year | 8,374,330 |
| | <hr/> |

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 8,952,235

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|-------------------------------------------------------------------------------------------|--------------|
| Operating income | \$ 2,127,324 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 2,442,987 |
| Decrease (increase) in assets and deferred outflows: | |
| Accounts receivable | 162,384 |
| Prepaid items and other assets | 85,204 |
| Deferred TCDRS outflow | 345,841 |
| Increase (decrease) in liabilities and deferred inflows: | |
| Accounts payable | 339,078 |
| Salaries and wages payable | 1,471 |
| Payroll taxes and related payables | 5,897 |
| Accrued compensated absences | 6,910 |
| Deferred TCDRS inflow | 105,914 |
| Net pension liability | (424,896) |
| | <hr/> |

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 5,198,114

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

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

The Dallas County Park Cities Municipal Utility District was originally created in 1938 as the Dallas County Park Cities Water Control and Improvement District No. 2 by the Board of Water Engineers of the State of Texas. The Action of the Board responded to the joint petition of the Town of Highland Park and the City of University Park (Park Cities) for creation of the District as an agency through which the Park Cities could act together to obtain a common and independent water supply. The design and construction of the District's water supply and treatment facilities were completed in August 1950. Bond issues provided the original funds required to purchase and construct the facilities. In March 1973, the District was converted from a Water District into a Municipal Utility District under Chapter 54 of the Texas Water Code. In 1995, the code was recodified and the District currently operates under Chapter 49.

The District serves as an agency through which the Park Cities act jointly to assure their citizens of an adequate water supply. The raw water is provided solely from Lake Grapevine, Texas. Treated water is sold and delivered by the District to the two municipalities; each in turn then retails the water to its customer citizens through its own distribution facilities. The District's charge for treated water is adjusted from time to time to provide adequate revenues to meet all of its financial obligations. For the fiscal year ending September 30, 2018, treated water was sold for \$2.4695 per thousand gallons to Highland Park and \$2.4566 per thousand gallons to University Park. The District also provides raw water to other entities in the area.

The District's operations are directed by a board of five directors who are elected biennially for overlapping four-year terms (three or two directors elected biennially) by the voters of the Town of Highland Park and City of University Park in a common election.

The Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 14, The Financial Reporting Entity, is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District's financial statements do not include any component units because none of the criteria for inclusion as set forth in GASB 14 have been met.

Basis of Presentation

The District presents its financial statements in accordance with GASB Statement 34 guidance for governments engaged in business-type activities. Accordingly, the basic financial statements and Required Supplementary Information (RSI) of the District consist of MD&A and Pension Related Schedules, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. Additionally, the Authority complies with the reporting requirements promulgated by the "Water Authority's Financial Management Guide" published by the Texas Commission on Environmental Quality.

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

GASB 34 requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net assets that do not meet the definition of "restricted," or "net investment in capital assets".

Measurement Focus

The accompanying basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The District's enterprise fund accounts for the operations of treating raw water for municipal use from Lake Grapevine, Texas.

Basis of Accounting

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets and Budgetary Accounting

Each year the District prepares a budget for the fiscal year in accordance with generally accepted accounting principles. The District's budget is used as a policy document, a financial plan, an operational guide, and a communication device.

As a policy document – The District's budget is used to outline major principles of policy being implemented by the District concerning financial matters. It documents limits on reserves, uses of reserves, and policy principles of meeting expenses out of current revenue.

The Board of Directors must approve any transfer of appropriation balances from one expenditure account to another within a single fund, any transfer of unencumbered appropriation balances or portions thereof from one fund to another or any increases in fund appropriations. All appropriations lapse at fiscal year-end.

As a financial plan – Projections on revenue generation and expenses are defined in order to plan yearly financial activities. Monthly projections are made to help plan expenditures concurrent with available revenue and reserves. The cost of service document is an integral part of the budget that allows the District's customers to plan and develop their budget in harmony with the District.

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

As an operational guide – Guidelines are included in the budget to assist policy makers and administrators to perpetuate policy and continuity of operation.

As a communication device – By contract, the District provides the Park Cities with a projected cost of service each year by July 1 in order for the two entities to construct their budgets. When the District's budget is adopted by its Board, it is circulated to the two entities in order to communicate the District's goals for the year, any policy changes in effect, and financial projections for the year.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposit accounts in banks and local government investment pools. Investments are recorded at cost which approximates market value. The District invests funds exclusively in local government investment pools which are considered cash equivalents.

Receivables

Accounts receivable are considered fully collectible; accordingly, no allowance for doubtful accounts is required. In the event an account in whole or in part becomes uncollectible in the future, such amount will be charged to operations when that determination is made.

Inventories

The District expenses all supplies used in the water treatment operations on a continuous basis as needed; therefore, no inventory balances are reflected in the financial statements.

Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line method. The District's capitalization threshold is \$500 for water systems and buildings and \$250 for furniture and equipment. The estimated service lives by type of asset are as follows:

| | |
|--------------------------------|---------------|
| Water systems | 15 - 50 years |
| Buildings | 10 - 50 years |
| Auto, furniture, and equipment | 5 - 50 years |

Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Compensated absences for vacation time accumulate and are accrued when they are earned.

Net Position

In accordance with the District's water contract with the Park Cities, each year the District reserves a portion of net position for: (a) 50% of the subsequent year's estimated operating and maintenance expenditures and (b) up to 100% of future estimated capital projects expenditures.

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Deposits and Investments

Deposits

The Board of Directors designates a financial institution to serve as the depository for the funds of the District. To the extent that funds in the depository are not insured by the Federal Deposit Insurance Corporation, they are secured in the manner provided by law for the security of funds per Chapter 2257, Texas Government Code (Public Funds Collateral Act).

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. At September 30, 2018, the District's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the District's name; as a result, the District's deposits were not exposed to custodial credit risk.

Investments

Funds of the District may be invested and reinvested by the District's investment officer or its authorized representative in U.S. Treasury and federal agency securities, certificates of deposit, repurchase agreements, and local government investment pools. The Board adopted an investment and collateral policy to comply with Chapter 2256 and 2257 of the Texas Government Code on September 10, 1998, and reviews yearly.

The District is a voluntary participant in TexPool Prime. The State Comptroller exercises oversight responsibility over all other aspects of TexPool Prime including investment and accounting activity, development plans, etc. Oversight responsibility is demonstrated by financial interdependency, ability to significantly influence operations, designation of management and accountability for fiscal matters. As a result, the financial statements of TexPool Prime are included in the financial statements of the Texas Trust as an investment trust fund, which are ultimately included in the financial statements of the State of Texas. TexPool Prime uses amortized costs rather than market value to report net assets to compute share prices.

The District currently has no investments that are required to be reported at fair value in accordance with GASB Statement No. 72.

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

At September 30, 2018, the District's cash and investments were as follows:

| Investment Type | Fair Value | Weighted Average Maturity | S&P Credit Rating |
|----------------------------------------|---------------------|---------------------------|-------------------|
| Deposits with a financial institution | \$ 403,994 | N/A | N/A |
| Imprest cash | 300 | N/A | N/A |
| Local government investment pools: | | | |
| TexPool Prime | 8,547,941 | 30 days | AAAm |
| Total cash and cash equivalents | \$ 8,952,235 | | |

Note 3. Capital Assets

The District's capital asset activity for the year ended September 30, 2018, is as follows:

| | Balance October 1, 2017 | Additions | Retirements | Transfers | Balance September 30, 2018 |
|------------------------------------------------------|-------------------------------|----------------|--------------|-----------|----------------------------------|
| Buildings, water system, easements, and right-of-way | \$ 29,417,906 | \$ 28,932 | \$ (8,790) | \$ - | \$ 29,438,048 |
| Machinery and equipment | 31,136,450 | 1,211,739 | (240,570) | 185,284 | 32,292,903 |
| Vehicles | 189,457 | - | - | - | 189,457 |
| Furniture and fixtures | 91,792 | 1,770 | (235) | - | 93,327 |
| Construction in progress | 217,292 | 199,622 | - | (185,284) | 231,630 |
| Total capital assets | 61,052,897 | 1,442,063 | (249,595) | - | 62,245,365 |
| Accumulated depreciation | \$ (17,493,826) | (2,442,987) | 119,533 | - | \$ (19,817,280) |
| | \$ 43,559,071 | \$ (1,000,924) | \$ (130,062) | \$ - | \$ 42,428,085 |

Note 4. Long-Term Debt

The District's long-term debt activity for the year ended September 30, 2018, is as follows:

| | Balance October 1, 2017 | Issued During the Year | Retired During the Year | Balance September 30, 2018 | Current Portion |
|-----------------------------------------|-------------------------------|------------------------------|-------------------------------|----------------------------------|--------------------|
| Water System Revenue Bonds, Series 2010 | \$ 23,550,000 | \$ - | \$ (1,455,000) | \$ 22,095,000 | \$ 1,510,000 |
| Unamortized bond premium | 224,793 | - | (17,292) | 207,501 | - |
| | \$ 23,774,793 | \$ - | \$ (1,472,292) | \$ 22,302,501 | \$ 1,510,000 |

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

Details of bonds payable as of September 30, 2018, are as follows:

Water System Revenue Bonds, Series 2010, dated September 1, 2010, in the aggregate principal amount of \$33,000,000; interest payable semi-annually at coupon rates ranging from 2.00% to 4.00%; principal payable annually through August 1, 2030; secured by a first lien on and pledge of certain revenues of the District's water system, including contract payments from the District's contracts for the sale of treated water to the Town of Highland Park and the City of University Park. The bond proceeds were used to fund (1) modifications and upgrades to the existing conventional water treatment plant unit processes (screening, pumping, rapid mix, flocculation, and sedimentation); (2) modification of the existing filters to granular activated carbon media for taste and odor control; and (3) construction of a 24-million-gallon-per-day low pressure membrane facility to address turbidity and microbial removal goals of the District.

The scheduled maturities of bonds payable as of September 30, 2018, are as follows:

| Years Ended December 31, | Principal | Interest | Total |
|-----------------------------|---------------|--------------|---------------|
| 2019 | \$ 1,510,000 | \$ 817,305 | \$ 2,327,305 |
| 2020 | 1,570,000 | 756,905 | 2,326,905 |
| 2021 | 1,620,000 | 709,805 | 2,329,805 |
| 2022 | 1,670,000 | 659,180 | 2,329,180 |
| 2023 | 1,725,000 | 604,070 | 2,329,070 |
| 2024 | 1,785,000 | 543,695 | 2,328,695 |
| 2025 | 1,845,000 | 481,220 | 2,326,220 |
| 2026 | 1,915,000 | 414,800 | 2,329,800 |
| 2027 | 1,990,000 | 338,200 | 2,328,200 |
| 2028 | 2,070,000 | 258,600 | 2,328,600 |
| 2029 | 2,155,000 | 175,800 | 2,330,800 |
| 2030 | 2,240,000 | 89,600 | 2,329,600 |
| Totals | \$ 22,095,000 | \$ 5,849,180 | \$ 27,944,180 |

Note 5. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The District purchases commercial insurance to indemnify it in the event of loss.

Note 6. Retirement Plan

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Contributions

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 11.32% for the months of the 2017 plan year.

The contribution rate payable by the employee members for calendar years 2016 and 2017 is the rate of 7.00% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|----------------------------|
| Valuation date | December 31, 2017 |
| Actuarial cost method | Entry age |
| Asset valuation method | Five years smoothed market |
| Recognition method | Non-asymptotic |
| Corridor | None |
| Inflation | 2.75% |
| Salary Increase | 4.90% |
| Investment rate of return | 8.00% |
| Payroll growth | 2.00% |

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all 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. The long-term rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2017 are summarized below:

| Asset Class | Benchmark | Target Allocation ⁽¹⁾ | Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾ |
|------------------------------------|-----------------------------------------------------------------------------------|----------------------------------|-------------------------------------------------------------------------|
| US Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 4.55% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾ | 16.00% | 7.55% |
| Global Equities | MSCI World (net) Index | 1.50% | 4.85% |
| International Equities - Developed | 50% MSCI World Ex USA (net) | 11.00% | 4.55% |
| International Equities - Emerging | MSCI EM Standard (net) Index | 8.00% | 5.55% |
| Investment-Grade Bonds | Bloomberg Barclays U.S. Aggregate Bond Index | 3.00% | 0.75% |
| Strategic Credit | FTSE High-Yield Cash-Pay Capped Index | 8.00% | 4.12% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 10.00% | 8.06% |
| Distressed Debt | Cambridge Associates Distressed Securities Index ⁽⁴⁾ | 2.00% | 6.30% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index | 2.00% | 4.05% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 3.00% | 6.00% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index ⁽⁵⁾ | 6.00% | 6.25% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 18.00% | 4.10% |

⁽¹⁾ Target asset allocation adopted at the April 2018 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.95%, per Cliffwater's 2018 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8.10%) in measuring the 2017 Net Pension Liability:

| | 1% Decrease | Current Discount Discount Rate | 1% Increase |
|---------------------------------|---------------------|-----------------------------------|---------------------|
| | 7.10% | 8.10% | 9.10% |
| Total pension liability | \$ 9,222,881 | \$ 8,299,134 | \$ 7,499,410 |
| Fiduciary net position | (8,085,476) | (8,085,476) | (8,085,476) |
| Net pension liability / (asset) | <u>\$ 1,137,405</u> | <u>\$ 213,658</u> | <u>\$ (586,066)</u> |

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

At September 30, 2018, the District reported \$213,658 for the net pension liability and pension expense of \$190,742 related to the December 31, 2017 valuation. The breakdown of the components of pension expense follows:

| Pension Expense / (Income) | January 1, 2017 to December 31, 2017 |
|-------------------------------------------------------|-----------------------------------------------|
| Service cost | \$ 156,557 |
| Interest on total pension liability ⁽¹⁾ | 631,460 |
| Effect of plan changes | - |
| Administrative expenses | 5,377 |
| Member contributions | (88,453) |
| Expected investment return net of investment expenses | (575,963) |
| Recognition of deferred inflows/outflows of resources | |
| Recognition of economic/demographic gains or losses | 7,080 |
| Recognition of assumption changes or inputs | 11,386 |
| Recognition of investment gains or losses | 41,479 |
| Other ⁽²⁾ | 1,819 |
| Pension expense / (income) | <u><u>\$ 190,742</u></u> |

⁽¹⁾ Reflects the change in the liability due to the time value of money.

TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

Dallas County Park Cities Municipal Utility District

Notes to the Financial Statements

The District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|------------------------------------------------------|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$ 11,389 | \$ 46,681 |
| Changes of assumptions | - | 41,299 |
| Net difference between projected and actual earnings | 109,711 | - |
| Contributions made subsequent to measurement date | - | 118,388 |
| | <u>\$ 121,100</u> | <u>\$ 206,368</u> |

The net amounts of the employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended December 31, | |
|-----------------------------|------------------|
| 2019 | \$ 178,334 |
| 2020 | 46,247 |
| 2021 | (67,936) |
| 2022 | (80,898) |
| 2023 | 9,521 |
| | <u>\$ 85,268</u> |

Required Supplementary Information

Dallas County Park Cities Municipal Utility District

Schedule of Changes in Net Pension Liability and Related Ratios

For the Fiscal Year Ended September 30, 2018

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total pension liability | | | | |
| Service cost | \$ 156,557 | \$ 168,420 | \$ 168,749 | \$ 149,415 |
| Interest on total pension liability | 631,460 | 590,267 | 555,172 | 515,873 |
| Effect of plan changes | - | - | (4,239) | - |
| Effect of assumption changes or inputs | 21,419 | - | 46,899 | - |
| Effect of economic/demographic (gains) or losses | 35,708 | 21,222 | (22,779) | 8,332 |
| Benefit payments/refunds of contributions | (363,429) | (327,941) | (252,453) | (186,499) |
| Net change in total pension liability | 481,715 | 451,968 | 491,349 | 487,121 |
| Total pension liability, beginning | 7,817,421 | 7,365,453 | 6,874,102 | 6,386,981 |
| Total pension liability, ending (a) | <u><u>\$ 8,299,136</u></u> | <u><u>\$ 7,817,421</u></u> | <u><u>\$ 7,365,451</u></u> | <u><u>\$ 6,874,102</u></u> |
| Fiduciary Net Position | | | | |
| Employer contributions | \$ 143,041 | \$ 141,109 | \$ 149,544 | \$ 148,183 |
| Member contributions | 88,453 | 85,743 | 86,800 | 86,729 |
| Investment income net of investment expenses | 1,045,742 | 500,150 | (9,430) | 448,861 |
| Benefit payments/refunds of contributions | (363,429) | (327,941) | (252,453) | (186,499) |
| Administrative expenses | (5,377) | (5,450) | (4,882) | (5,048) |
| Other | (1,819) | 12,548 | 13,591 | (12,214) |
| Net change in fiduciary net position | 906,611 | 406,159 | (16,830) | 480,012 |
| Fiduciary net position, beginning | 7,178,867 | 6,772,708 | 6,789,537 | 6,309,525 |
| Fiduciary net position, ending (b) | <u><u>\$ 8,085,478</u></u> | <u><u>\$ 7,178,867</u></u> | <u><u>\$ 6,772,707</u></u> | <u><u>\$ 6,789,537</u></u> |
| Net pension liability / (asset), ending <= (a) - (b) | <u><u>\$ 213,658</u></u> | <u><u>\$ 638,554</u></u> | <u><u>\$ 592,744</u></u> | <u><u>\$ 84,565</u></u> |
| Fiduciary net position as a % of total pension liability | 97.43% | 91.83% | 91.95% | 98.77% |
| Pensionable covered payroll | \$ 1,263,611 | \$ 1,224,902 | \$ 1,240,002 | \$ 1,238,989 |
| Net pension liability as a % of covered payroll | 16.91% | 52.13% | 47.80% | 6.83% |

Note: Ten years of data not available.

Dallas County Park Cities Municipal Utility District

Schedule of Employer Contributions

For the Fiscal Year Ended September 30, 2018

| Years Ending December 31, | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Pensionable Covered Payroll ⁽¹⁾ | Actual Contribution as a % of Covered Payroll |
|------------------------------------------|----------------------------------------------------|---------------------------------------------|-------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------|
| 2008 | \$ 94,434 | \$ 94,434 | \$ - | \$ 1,070,680 | 8.8% |
| 2009 | 99,728 | 99,728 | - | 1,115,528 | 8.9% |
| 2010 | 124,263 | 124,263 | - | 1,141,079 | 10.9% |
| 2011 | 123,525 | 123,525 | - | 1,159,859 | 10.7% |
| 2012 | 145,039 | 145,039 | - | 1,268,935 | 11.4% |
| 2013 | 136,845 | 136,845 | - | 1,170,614 | 11.7% |
| 2014 | 148,183 | 148,183 | - | 1,238,989 | 12.0% |
| 2015 | 149,544 | 149,544 | - | 1,240,002 | 12.1% |
| 2016 | 141,109 | 141,109 | - | 1,224,902 | 11.5% |
| 2017 | 143,041 | 143,041 | - | 1,263,611 | 11.3% |

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

Dallas County Park Cities Municipal Utility District

Notes to Required Supplementary Information

For the Fiscal Year Ended September 30, 2018

Note 1: Pension Liability

Change in Benefit Terms

There were no changes of benefit terms that affected the measurement of the total pension liability during the measurement period.

Change in Assumptions

There were no changes of assumptions that occurred during the measurement period.

Other Supplemental Section

Dallas County Park Cities Municipal Utility District

Budgetary Comparison Schedule – Enterprise Fund

For the Fiscal Year Ended September 30, 2018

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|-----------------------------------------------------------------------------|---------------------|-------------------|---------------------------------------------|
| OPERATING REVENUE | | | |
| City of University Park | \$ 5,256,004 | \$ 5,131,899 | \$ (124,105) |
| Town of Highland Park | 2,847,951 | 2,647,521 | (200,430) |
| City of Grapevine | 343,552 | 370,845 | 27,293 |
| Brookhollow Country Club | 44,181 | 50,770 | 6,589 |
| | <hr/> | <hr/> | <hr/> |
| Total operating revenue | 8,491,688 | 8,201,035 | (290,653) |
| OPERATING EXPENSES | | | |
| Salaries and wages | 1,398,330 | 1,376,865 | 21,465 |
| Utilities | 630,000 | 544,786 | 85,214 |
| Chemicals | 588,000 | 455,764 | 132,236 |
| Group insurance premiums | 282,500 | 248,502 | 33,998 |
| Retirement premiums | 167,868 | 188,896 | (21,028) |
| Social Security and Medicare tax | 106,928 | 100,810 | 6,118 |
| Professional fees | 110,000 | 43,208 | 66,792 |
| Maintenance and repairs | 203,000 | 148,614 | 54,386 |
| Other operating expenses | 129,000 | 378,426 | (249,426) |
| Insurance and surety bond premiums | 92,350 | 89,759 | 2,591 |
| Contract labor | 35,000 | 27,125 | 7,875 |
| Legal notices and publications | 5,000 | 14,455 | (9,455) |
| Fuels and lubricants | 20,000 | 7,603 | 12,397 |
| Printing, office supplies, and postage | 9,700 | 5,911 | 3,789 |
| | <hr/> | <hr/> | <hr/> |
| Total operating expenses | 3,777,676 | 3,630,724 | 146,952 |
| OPERATING INCOME | 4,714,012 | 4,570,311 | (143,701) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Investment income | 75,000 | 152,841 | 77,841 |
| Interest expense | (875,505) | (848,513) | 26,992 |
| | <hr/> | <hr/> | <hr/> |
| Total non-operating revenues (expenses) | (800,505) | (695,672) | 104,833 |
| INCREASE IN NET POSITION BEFORE NON-BUDGETED REVENUES (EXPENSES) | | | |
| | <u>\$ 3,913,507</u> | 3,874,639 | <u>\$ 38,868</u> |
| NON-BUDGETED REVENUES (EXPENSES) | | | |
| Depreciation | | (2,442,987) | |
| Contributions to other governments | | (1,052,000) | |
| Loss on retirement of capital assets | | (129,938) | |
| Miscellaneous income | | 51,395 | |
| | | <hr/> | |
| INCREASE IN NET POSITION | | <u>\$ 301,109</u> | |

Dallas County Park Cities Municipal Utility District
Index of Texas Commission of Environmental Quality Schedules
For the Fiscal Year Ended September 30, 2018

| | <u>Page</u> | |
|-------|------------------------------------------------------------------------------------|-----|
| TSI-1 | Schedule of Services and Rates (UNAUDITED) | 27 |
| TSI-2 | Schedule of Expenses - Enterprise Fund | 29 |
| TSI-3 | Schedule of Temporary Investments | 30 |
| TSI-4 | Schedule of Taxes Levied and Receivable | N/A |
| TSI-5 | Schedule of Long-Term Debt Service Requirements | 31 |
| TSI-6 | Schedule of Changes in Long-Term Debt | 32 |
| TSI-7 | Comparative Schedule of Revenues and Expenses - Enterprise Fund - Five Years Ended | 33 |
| TSI-8 | Board Members, Key Personnel, and Consultants (UNAUDITED) | 34 |

N/A - not applicable

Dallas County Park Cities Municipal Utility District

TSI-1

Schedule of Services and Rates (Unaudited)
For the Fiscal Year Ended September 30, 2018

1. Services Provided by the District:

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. Retail Rates Based on 5/8" Meter: Retail Rates Not Available

Most prevalent type of meter (if not a 5/8"): _____

| | <u>Minimum Charge</u> | <u>Minimum Usage</u> | <u>Flat Rate Y/N</u> | <u>Rate per 1,000 Gallons over Minimum Usage</u> | <u>Usage Levels</u> |
|-------------|-----------------------|----------------------|----------------------|--------------------------------------------------|---------------------|
| Water: | \$____. | ____. | _____ | \$____. | ____ to ____ |
| Wastewater: | \$____. | ____. | _____ | \$____. | ____ to ____ |
| Surcharge: | \$____. | ____. | _____ | \$____. | ____ to ____ |

District employs winter averaging for wastewater usage? Yes No

Total water and wastewater charges per 10,000 gallons usage (including surcharges). \$_____.

3. Retail Service Providers: Number of retail water and/or wastewater* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

| <u>N/A</u> | <u>Active Connections</u> | <u>Active ESFCs</u> | <u>Inactive Connections (ESFC)**</u> |
|---------------------------------------------------|---------------------------|---------------------|--------------------------------------|
| Single Family | _____ | _____ | _____ |
| Multi-Family | _____ | _____ | _____ |
| Commercial | _____ | _____ | _____ |
| Other – recreational centers, Government & VFD | _____ | _____ | _____ |
| TOTAL | _____ | _____ | _____ |

4. Total Water Consumption (in Thousands) during the Fiscal Year: N/A

Gallons pumped into system: _____

Gallons billed to customers: _____

* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided

** "Inactive" means that water and wastewater connections were made, but service is not being provided.

Dallas County Park Cities Municipal Utility District
 Schedule of Services and Rates (Unaudited) – Continued
 For the Fiscal Year Ended September 30, 2018

TSI-1

5. **Standby Fees:** Does the District assess standby fees? Yes No

For the most recent full fiscal year, FYE _____ :

| | | | |
|--------------------------|----------------------|----|-------|
| Debt Service: | Total Levy | \$ | _____ |
| | Total Collected | \$ | _____ |
| | Percentage Collected | | _____ |
| Operation & Maintenance: | Total Levy | \$ | _____ |
| | Total Collected | \$ | _____ |
| | Percentage Collected | | _____ |

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property: Yes No

6. **Anticipated Sources of Funds to be Used for Debt Service Payments in the District's Following Fiscal Year:**

| | | |
|--------------------------------------------|----|-----------|
| a. Debt Service Tax Receipts | \$ | _____ |
| b. Surplus Construction Funds | | _____ |
| c. Water and/or Wastewater Revenue | | 2,327,305 |
| d. Standby Fees | | _____ |
| e. Debt Service Fund Balance to be Used | | _____ |
| f. Interest Revenues | | _____ |
| g. Other (Describe) | | _____ |
| *TOTAL ANTICIPATED FUNDS TO BE USED | \$ | 2,327,305 |

7. **Location of District**

County(ies) in which District is located: Dallas

Is the District located entirely within one county? Yes No

Is the District within a city? Entirely Partly Not at all

City(ies) in which District is located. Highland Park, University Park

Is the District located within a city's extra territorial jurisdiction (ETJ)? Entirely Partly Not at all

ETJs in which District is located. _____

Is the general membership of the Board appointed by an office outside the District? Yes No

If Yes, by whom? _____

* This total should equal the District's total annual debt service for the fiscal year following the fiscal year reported on in the audited financial statements.

Dallas County Park Cities Municipal Utility District**TSI-2**Schedule of Expenses – Enterprise Fund
For the Fiscal Year Ended September 30, 2018**OPERATING EXPENSES**

| | |
|----------------------------------------|--------------|
| Salaries and wages | \$ 1,376,865 |
| Utilities | 544,786 |
| Depreciation | 2,442,987 |
| Chemicals | 455,764 |
| Group insurance premiums | 248,502 |
| Retirement premiums | 188,896 |
| Social Security and Medicare tax | 100,810 |
| Professional fees | 43,208 |
| Maintenance and repairs | 148,614 |
| Other operating expenses | 378,426 |
| Insurance and surety bond premiums | 89,759 |
| Contract labor | 27,125 |
| Legal notices and publications | 14,455 |
| Fuels and lubricants | 7,603 |
| Printing, office supplies, and postage | 5,911 |
| | <hr/> |
| Total operating expenses | 6,073,711 |

NON-OPERATING EXPENSES

| | |
|--------------------------------------|-----------|
| Interest expense | 848,513 |
| Loss on retirement of capital assets | 129,938 |
| Contributions to other governments | 1,052,000 |
| | <hr/> |
| Total non-operating expenses | 2,030,451 |

TOTAL EXPENSES

\$ 8,104,162

Dallas County Park Cities Municipal Utility District

TSI-3

Schedule of Temporary Investments
For the Fiscal Year Ended September 30, 2018

| <u>Funds</u> | <u>Interest Rate at Year End</u> | <u>Maturity Date</u> | <u>Balance at September 30, 2018</u> |
|------------------|--------------------------------------|--------------------------|----------------------------------------------|
| Enterprise fund: | | | |
| Investment pool | 2.124% | N/A | \$ 7,115,536 |
| Investment pool | 2.307% | N/A | 1,432,405 |
| | | | <u>\$ 8,547,941</u> |

Dallas County Park Cities Municipal Utility District

TSI-5

Schedule of Long-Term Debt Service Requirements

For the Fiscal Year Ended September 30, 2018

| Fiscal Years Ending September 30, | Water System Revenue Bonds | | |
|-----------------------------------------|----------------------------|---------------------------------------------|---------------|
| | Series 2010 | | |
| | Principal Due August 1, | Interest Due February 1 and August 1, | Total |
| 2019 | \$ 1,510,000 | \$ 817,305 | \$ 2,327,305 |
| 2020 | 1,570,000 | 756,905 | 2,326,905 |
| 2021 | 1,620,000 | 709,805 | 2,329,805 |
| 2022 | 1,670,000 | 659,180 | 2,329,180 |
| 2023 | 1,725,000 | 604,070 | 2,329,070 |
| 2024 | 1,785,000 | 543,695 | 2,328,695 |
| 2025 | 1,845,000 | 481,220 | 2,326,220 |
| 2026 | 1,915,000 | 414,800 | 2,329,800 |
| 2027 | 1,990,000 | 338,200 | 2,328,200 |
| 2028 | 2,070,000 | 258,600 | 2,328,600 |
| 2029 | 2,155,000 | 175,800 | 2,330,800 |
| 2030 | 2,240,000 | 89,600 | 2,329,600 |
| Totals | \$ 22,095,000 | \$ 5,849,180 | \$ 27,944,180 |

Dallas County Park Cities Municipal Utility District

TSI-6

Schedule of Changes in Long-Term Debt
For the Fiscal Year Ended September 30, 2018

| | <u>Series 2010</u> |
|------------------------------------------------|-------------------------|
| Interest rates | 2.0% to 4.0% |
| Dates interest payable | 2/1 and 8/1 |
| Maturity dates | 8/1/2011 to 8/1/2030 |
| Bonds outstanding at beginning of current year | \$ 23,550,000 |
| Bonds sold during the current year | - |
| Bonds retired during the current year | <u>1,455,000</u> |
| Bonds outstanding at end of current year | <u>\$ 22,095,000</u> |
| Interest paid during the current year | <u>\$ 875,507</u> |

Paying agent's name and city:
Bank of Texas - Dallas, Texas

| | <u>Tax Bonds*</u> | <u>Other Bonds</u> | <u>Refunding Bonds</u> |
|------------------------|-----------------------|------------------------|----------------------------|
| Bond Authority: | | | |
| Amount authorized | \$ - | \$ 33,000,000 | \$ - |
| Amount issued | - | 33,000,000 | - |
| Remaining to be issued | - | - | - |

* Includes all bonds secured with tax revenues.

Dallas County Park Cities Municipal Utility District

TSI-7

Comparative Schedule of Revenues and Expenses – Enterprise Fund
For the Five Years Ended September 30, 2018

| | Percent of Total Operating Revenues | | | | |
|----------------------------------------------|-------------------------------------|----------------------|---------------------|--------------------|--------------------|
| | 2018 | 2017 | 2016 | 2015 | Unaudited 2014 |
| OPERATING REVENUE | | | | | |
| Water sales | 100% | 100% | 100% | 100% | 100% |
| OPERATING EXPENSES | | | | | |
| Salaries and wages | 16.8% | 16.2% | 16.7% | 17.2% | 16.2% |
| Utilities | 6.6% | 6.4% | 6.8% | 7.2% | 8.1% |
| Chemicals and fuels | 5.7% | 5.6% | 6.1% | 6.2% | 5.6% |
| Group insurance premiums | 3.0% | 3.6% | 4.2% | 3.9% | 3.4% |
| Other operating expenses | 6.3% | 3.4% | 2.9% | 2.9% | 2.6% |
| Retirement premiums | 2.3% | 3.6% | 2.7% | 1.3% | 1.9% |
| Social Security and Medicare tax | 1.2% | 1.2% | 1.2% | 1.3% | 1.2% |
| Professional fees | 0.5% | 1.1% | 0.7% | 0.6% | 1.3% |
| Maintenance and repairs | 1.8% | 14.1% | 1.8% | 2.4% | 5.1% |
| Depreciation | 29.8% | 33.0% | 32.7% | 32.1% | 30.3% |
| | <u>74.0%</u> | <u>88.2%</u> | <u>75.8%</u> | <u>74.9%</u> | <u>75.7%</u> |
| OPERATING INCOME | 25.9% | 12.0% | 24.2% | 24.8% | 24.2% |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Investment income | 1.9% | 1.3% | 0.7% | 0.1% | 0.1% |
| Interest expense | -10.3% | -11.9% | -12.6% | -13.8% | -13.7% |
| Loss on retirement of capital assets | -1.6% | -1.5% | -2.7% | -2.0% | -2.0% |
| Miscellaneous income | 0.6% | 0.2% | 0.2% | 0.3% | 0.3% |
| Contributions to other governments | | | 0.0% | | |
| | <u>-12.8%</u> | <u>-14.2%</u> | <u>-14.4%</u> | <u>0.0%</u> | <u>0.0%</u> |
| | <u>-22.2%</u> | <u>-26.1%</u> | <u>-28.8%</u> | <u>-15.4%</u> | <u>-15.3%</u> |
| INCREASE (DECREASE) IN NET POSITION | <u><u>3.7%</u></u> | <u><u>-14.1%</u></u> | <u><u>-4.6%</u></u> | <u><u>9.4%</u></u> | <u><u>8.9%</u></u> |

Dallas County Park Cities Municipal Utility District
 Board Members, Key Personnel, and Consultants – Unaudited
 September 30, 2018

TSI-8

District Mailing Address:

Dallas County Park Cities M.U.D.
 1811 Regal Row
 Dallas, Texas 75235

District Business Telephone Number:

(214) 652-8639

| Name and Address | Term of Office (Elected or Appointed) or Date Hired | Fees Fiscal Year Ended September 30, 2018) | Reimbursements (Fiscal Year Ended September 30, 2018) | Title at End of Year | Resident of District |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------|--------------------------------------------|-------------------------|
| Board Members: | | | | | |
| Mr. Mark W. Connell P.O. Box 541057 Dallas, TX 75354-4694 | (Elected) 5/16 - 5/20 | \$ - | \$ - | President | Yes |
| Mr. John F. Stull 3141 Bryn Mawr Dallas, TX 75225 | (Elected) 5/18 - 5/22 | - | - | Vice President | Yes |
| Ms. Leslie J. Conant 3712 Caruth Dallas, TX 75225 | (Elected) 5/16 - 5/20 | - | - | Secretary | Yes |
| Mr. James S. Cornelius 3707 Maplewood Dallas, TX 75205 | (Appointed) 5/17 - 5/20 | - | - | Director | Yes |
| Mr. Donald H. Snell 4229 Versailles Avenue Dallas, TX 75205 | (Elected) 5/18 - 5/22 | - | - | Director | Yes |
| Note: No director is disqualified from serving on this board under the Texas Water Code. | | | | | |
| Key Administrative Personnel: | | | | | |
| Larry McDaniel 1811 Regal Row Dallas, TX 75235 | 10/1 | \$ - | \$ - | General Manager & Investment Officer | |
| Consultants: | | | | | |
| Thomson, Coe, Cousins & Irons | 1968 | \$ 7,075 | \$ - | Attorney | |
| Bickerstaff Heath Delgado Acosta LLP | 1998 | 1,964 | - | Attorney | |
| CDM | 2005 | 86,220 | - | Consultant | |
| Hilltop Securities | 2016 | 3,500 | - | Consultant | |
| Weaver and Tidwell, L.L.P. | 2015 | 19,500 | - | Auditor | |