



Rendering of New Fire Station #2

City of Denton, Texas

Comprehensive Annual Financial Report
Fiscal Year Ending September 30, 2016



VISION

"Destination Denton"

Denton is an identifiable and memorable destination and a community of opportunities. We achieve this by providing high quality of life through excellence in education, entertainment, and employment; neighborhood vitality and sustainability; environmental and financial stewardship; and superior public facilities and services.

MISSION

"Dedicated to Quality Service"

The City of Denton will foster an environment that will deliver extraordinary quality service and products through stakeholder, peer group, and citizen collaboration; leadership and innovation; and sustainable and efficient use of resources.

VALUES

"We Care"

We care about our people, our community, and our work. We do this with integrity, respect, and fairness.

CITY OF DENTON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2016

CITY MANAGER

Todd Hileman

DEPUTY CITY MANAGER
AND CHIEF OPERATIONS OFFICER

Bryan Langley

Prepared by:

Chuck Springer
Director of Finance

Antonio Puente
Assistant Director of Finance

Kevin Ann Mullen, CPA
Assistant Controller

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Electric Business Manager

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Senior Accountant

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Accounting Technician

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Budget Manager

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Controller

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Senior Accountant

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Senior Accountant

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Accountant

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Electric Analyst

Caroline Finley
Treasury Administrator

**City of Denton, Texas
Comprehensive Annual Financial Report
For Year Ended September 30, 2016**

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**City of Denton, Texas
Comprehensive Annual Financial Report
For Year Ended September 30, 2016**

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March 2, 2017

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

It is with great pleasure that we present to you a copy of the Comprehensive Annual Financial Report (CAFR) of the City of Denton (the City) for the fiscal year ended September 30, 2016. The purpose of the report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§ 103.001) requires an annual audit for municipalities. In addition, the City Charter (Section 2.13) requires a Certified Public Accountant who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council and the City Manager. This document fulfills the above mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2016.

The CAFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditors' report. The Statistical Section and Other Supplementary Information include selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Pattillo, Brown & Hill L.L.P. has issued an unmodified opinion on the City of Denton's financial statements for the period ended September 30, 2016. As a recipient of federal and state grant awards, a separate audit is prepared to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133. As a part of the City's single audit, tests are conducted to determine that the City has complied with applicable laws and regulations related to federal awards.

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

PROFILE OF THE GOVERNMENT

Originally incorporated on September 26, 1866, the City of Denton is now 97.411 square miles and has an estimated population of 122,749. The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City of Denton is located in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex, and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area.

The City provides a full range of general government services to its citizens including: public safety (police and fire protection); public works (construction and maintenance of highways, streets and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water and wastewater services.

The internal service operations consist of the Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services and Technology Services funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

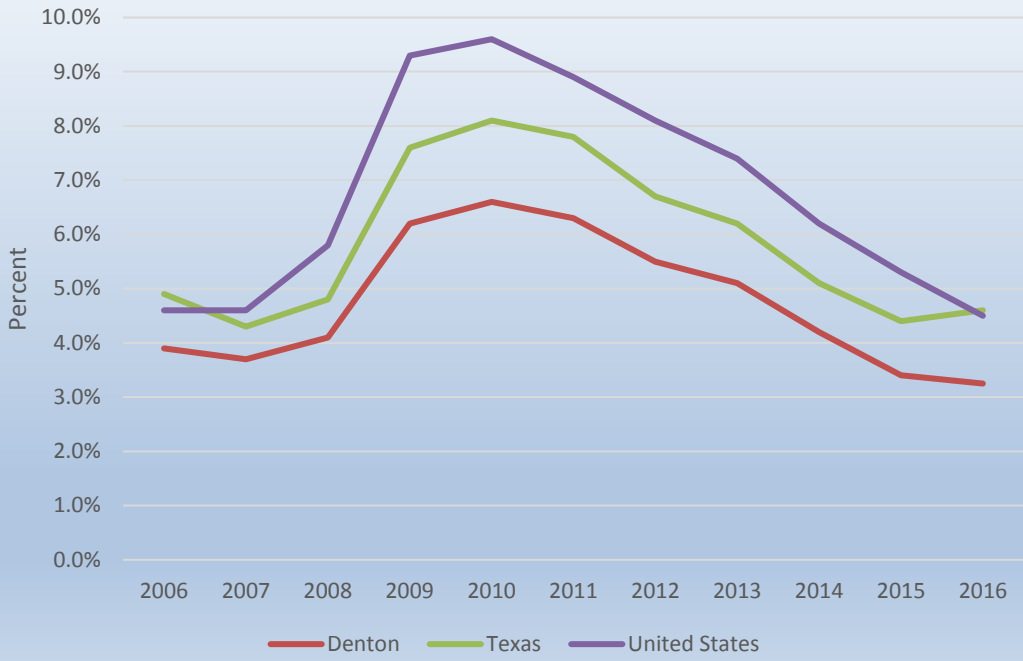
LOCAL ECONOMY

The City of Denton's tax base continues to grow with an average growth rate of 5.45% over the last 10 years. Recently, the City's tax base grew by 11.72% in FY 2014-15, 8.54% in FY 2015-16 and 8.38% in FY 2016-17. After property tax revenues, the second largest source of revenue in the General Fund is sales tax. Representing approximately 32% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2015-16, total sales tax revenues equaled \$32,624,298, which is \$2,022,333 or 6.6%, more than the prior year collections of \$30,601,965. For FY 2016-17, sales tax collections are conservatively budgeted to increase by 0.7% over FY 2015-16 actual receipts.

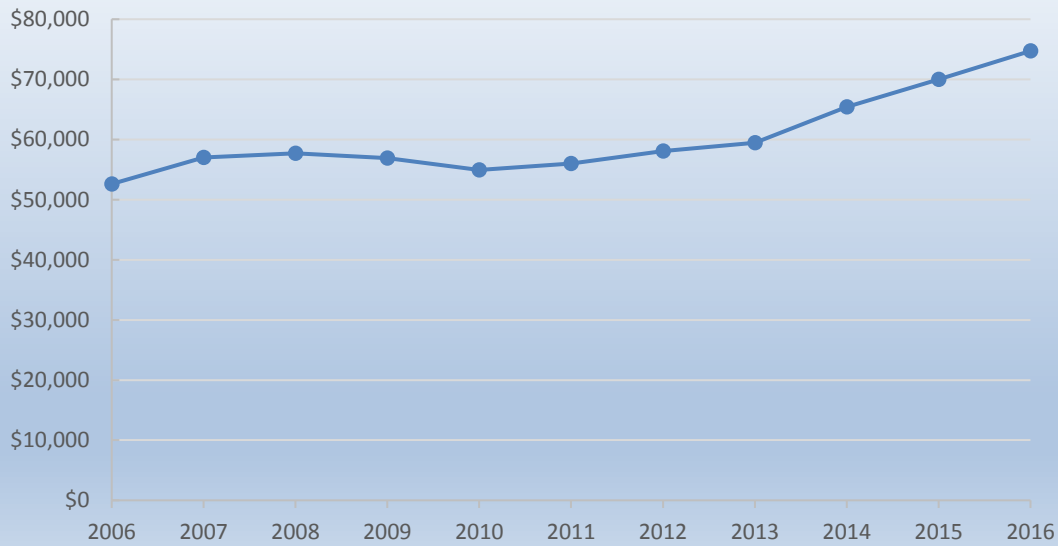
Increased strength in employment and growth in new residential and commercial construction are leading indicators of continued growth in the City's property tax base and sales tax collections. The City of Denton's not seasonally adjusted unemployment rate remains well below state and national levels at 3.3 percent in 2016 which remained at the same level as 2015. The City of Denton has issued 618 residential and commercial building permits for calendar year 2016, at an estimated value of \$388 million. This compares to a total of 816 commercial and residential permits issued for calendar year 2015 at an estimated value of \$495 million.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton's unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.

Annual Unemployment Rate for U.S., Texas, and Denton
(Not Seasonally Adjusted)



Taxable Property Value Per Capita
(City of Denton)



Fiscal year 2015-16 brought exciting news in economic development. Listed below are just a few of the highlights:

- Peterbilt, which opened its plant in Denton in 1980, manufactures a full line of on-highway, vocational, and medium-duty trucks. Peterbilt's 100-acre complex on Airport Road includes a 455,000 manufacturing plant and a brand new 102,000 stand-alone building that was completed in December 2016. The new building, which represents a capital investment of about \$30 million, houses testing, alignment, and touch-up paint operations and allows for improved product flow and operational efficiencies. What's more, it frees up space in the plant for the production of new products in the coming years. The project represents the largest facility investment since the construction of the original Denton plant.
- Sally Beauty moved its corporate headquarters from New Orleans to Denton in 1982. At that time, the company had 119 stores in the United States. Today, Sally Beauty Holdings is a leading international specialty retailer and distributor of professional beauty supplies, with more than 5,000 company stores and ten distribution centers world-wide. In early 2016, Sally Beauty began an interior remodel of its 3900 Morse Street property to accommodate more employees, including 80 new positions in accounting and finance, customer service, credit and collections, ecommerce, and web content. The estimated total cost of the project is \$7.5 million.
- Denton welcomed a new corporate headquarters facility to the Denton Enterprise Airport. Med-Trans, a fast-growing helicopter ambulance company, broke ground on its 35,000-square-foot training, office, and hangar facility in late 2016. Med-Trans partners with hospital systems, medical centers, and emergency medical service agencies and has a fleet of 75 aircraft and more than 80 bases in 25 states.
- WinCo Foods, an employee owned supermarket company with stores in eight states in the western U.S., has constructed an 850,000-square-foot regional distribution facility in Denton's Westpark Industrial Park. Opening in early 2017, the facility will employ 165 and have an annual payroll of about \$7.2 million.
- Stoke, Denton's new coworking space opened in August 2016 in the Railyard, a transit-oriented mixed use development in Downtown Denton. Stoke is an economic development project of the City of Denton which is designed to support local entrepreneurship and technological innovation. Stoke is managed by the Dallas Entrepreneur Center and is part of its network that includes The DEC, the Addison Treehouse, and the San Antonio Entrepreneur Center.
- The Rayzor Ranch mixed-use development is located on both the north and south sides of US Highway 380 in Denton. Rayzor Ranch Marketplace, on the north side of the development, has constructed over 400,000 square feet of retail and commercial space. Sam's Club and Wal-Mart anchor the Market Place with 137,381 and 189,929 square feet, respectively. Some of the new stores in the Marketplace include: Guitar Center and Taco Cabana. Two phases are planned for the Rayzor Ranch Town Center, located on the south side of the development. The first phase of Heritage Trail Boulevard has been completed. Construction on the second phase will begin soon and will allow access to the two phases on the east side of the development. The following retail tenants have opened in Phase I of the Town Center: WinCo Foods, Chili's, Raising Canes, Chipotle, Firehouse Subs, Sleep Number Beds, Luxe Nail Salon and Great Clips. This phase also includes plans for In-N-Out Burger, Rooms-To-Go, and a movie theatre. Construction is also underway for a convention center and hotel described in more detail in the next paragraph.
- O'Reilly Hotel Partners Denton (OHPD) broke ground on its 70,000-square-foot convention center, 300-room Embassy Suites hotel, and Houlihan's restaurant project in March 2016. As a major anchor for the Rayzor Ranch Town Center, the project will capitalize on the planned shopping, entertainment, and

restaurants located nearby. Slated to open in late fall 2017, bookings for 2018 conventions and meetings are being taken at this time.

LONG-TERM FINANCIAL PLANNING

In conjunction with this document, interested parties are encouraged to read the City of Denton's FY 2016-17 Annual Budget document. This document details the City's strategic plan, long-term financial policies, program accomplishments, and other key initiatives. The document also includes the long-term financial forecasts for each of the major funds, and a summary of the assumptions that are included in these plans. In addition, the budget document provides an overview of the adopted Capital Improvement Program and planned future debt issuances. The budget document can be obtained from the City of Denton's Finance Department by calling (940) 349-8260. The Annual Budget can also be accessed through the City's web site at www.cityofdenton.com and selecting Financial Transparency under the "Open Government" link.

RELEVANT FINANCIAL POLICIES

The City of Denton maintains reserve balances for emergencies. In the General Fund, the target reserve level is a minimum of 20% of budgeted expenditures with an additional 5% resiliency reserve for a combined total of 25% to provide stability and flexibility for the organization. The actual reserve level has exceeded this target for the current fiscal year. As described in the accompanying CAFR document, the unassigned fund balance is \$28.1 million, or 25.4%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2016.

Beginning in FY 2011-12, the City adopted a policy which requires a minimum ending working capital balance (current assets minus current liabilities) of at least 8% of budgeted expenditures for the Electric, Water, Wastewater and Solid Waste Funds. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action with a five-year plan to restore the working capital balance to 8% of budgeted expenditures.

Additionally, rate reserve levels were established for the Electric, Water, Wastewater, and Solid Waste Funds in FY 2011-12 according to the unique operational aspects of each utility. The rate reserve levels were most recently revised in FY 2015-16 based on the factors of revenue stability, expense and demand volatility, infrastructure age, debt levels and management plans for the use of these reserves. The rate reserve level is established at a range of 8% to 12% of expenses for the Electric Fund, at a range of 20% to 31% of expenses for the Wastewater Fund, at a range of 25% to 42% of expenses for the Water Fund, and at a range of 6% to 10% of expenses for the Solid Waste Fund. If the rate reserve level falls below the range, the City will implement necessary corrective action within a five-year plan to restore the balances to the levels outlined above.

The City of Denton has adopted an Investment Policy which guides the investment of all City funds. In accordance with State law, the policy is reviewed annually by the City Council to ensure that public funds are being invested in a conservative and prudent fashion. In addition, the City also annually reviews and approves a Debt Management policy. The purpose of this policy is to provide general guidelines regarding the issuance of City debt and the use and limitation of such debt. The City complied with all aspects of the Investment and Debt Management policies during FY 2015-16.

MAJOR INITIATIVES

In FY 2015-16, the City continued to emphasize street maintenance and repair activities as funding in the Street Improvement Fund was increased by \$934,397. The staffing level in this fund was increased with the addition of five staff positions for an additional street maintenance crew and the purchase of an asphalt recycler. Transportation funding was increased by \$20,000 for an expanded bicycle and pedestrian education and safety program. In addition to improving the City's street infrastructure, the enhancement of public safety is also identified in the Strategic Plan as a major initiative. Accordingly, the FY 2015-16 General Fund budget included \$1,518,304 in funding enhancements for public safety programs. These enhancements included the addition of a six personnel to form a new medic unit for the City's Fire Station #7 and three additional fire inspector positions.

Funding was also included in the Police Department for a Patrol Supervisor to oversee the Downtown unit, additional body cameras, and a civilian records clerk to perform criminal case filings.

Employee compensation remained a continuing priority for FY 2015-16 with an average 3% merit increase provided to all employees along with eligible step increases for all police and fire civil service personnel. In addition, funding was provided for equity pay adjustments for employees whose salary was below the market rate for their positions. Another major funding program was improvements and enhancements to the development review process through the additional funding of \$1,138,579 which added six additional positions in the building and health inspections divisions, two additional planning positions, and one GIS technician. This funding also included the assessment and reworking of the City's development code.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015, for the thirty first consecutive year. In order to be awarded the Certificate of Achievement in Financial Reporting, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

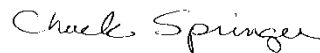
The City also received the GFOA award for Distinguished Budget Presentation for its fiscal year 2015-16 Annual Budget for the thirtieth consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that Denton's budget is distinguished as an operations guide, financial plan, policy document, and communications device. The City has submitted its fiscal year 2016-17 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

In 2016, the City's Purchasing Department earned the Excellence in Procurement Award from the National Purchasing Institute, Inc. (NPI) for the eighteen year in a row. This award is achieved by those organizations that demonstrate excellence in procurement by achieving a high score on standardized criteria designed to measure innovation, professionalism, productivity, and leadership. NPI represents purchasing officials employed by national, state, and local governments; educational institutions; and tax-supported and public entities throughout the country.

We would like to thank the City Council for their strong leadership and support that helped make the presentation of this report possible. We would also like to thank the City Manager, Finance staff, department directors, division heads and especially the Accounting Division staff for their diligent efforts in the preparation of the annual financial report.



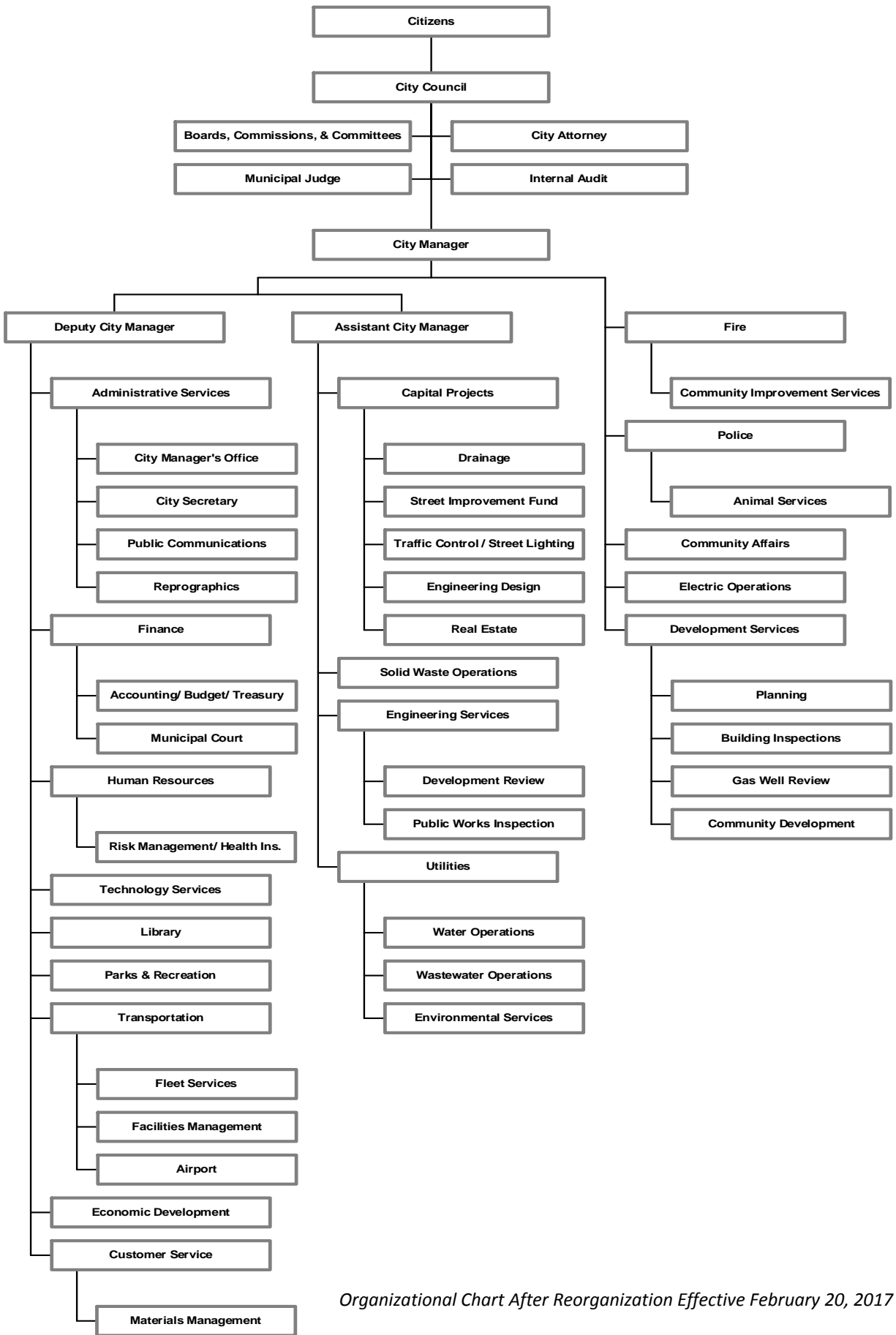
Bryan Langley
Deputy City Manager



Chuck Springer
Director of Finance



Current Organizational Chart



Organizational Chart After Reorganization Effective February 20, 2017



Government Finance Officers Association

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

Presented to

**City of Denton
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

CITY OF DENTON, TEXAS

List of Principal Officials

ELECTED OFFICIALS

Title	Name
Mayor	Chris Watts
Councilmember, District 1, Mayor Pro Tem	Kevin Roden
Councilmember, District 2	Keely Briggs
Councilmember, District 3	Kathleen Wazny
Councilmember, District 4	Joey Hawkins
Councilmember, At Large Place 5	Dalton Gregory
Councilmember, At Large Place 6	Sara Bagheri

*CITY OFFICIALS**

Title	Name
City Manager	Todd Hileman
Deputy City Manager / Chief Operations Officer	Bryan Langley
Assistant City Manager	Howard Martin
Assistant City Manager	Jon Fortune
Interim City Attorney	Aaron Leal
Municipal Judge	Robin Ramsay
City Secretary	Jennifer Walters

*City officials after reorganization effective February 20, 2017



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Denton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Denton, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Denton, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Denton, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Denton, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, capital assets schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017 on our consideration of City of Denton, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Denton, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 2, 2017



CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016

The Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page i) and the City's financial statements (beginning on page 15).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2016 by \$775,883,245 (net position). Of this amount, \$147,614,024 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position on the statement of net position increased by \$59,735,226 in fiscal year 2016.
- As of September 30, 2016, the City's governmental funds reported combined fund balances of \$124,749,799, an increase of \$11,755,476 in comparison with the prior fiscal year. Compared to the prior year, revenues were higher by \$4.4 million due primarily to higher property and sales tax of \$6.7 million, franchise fees of \$0.7 million, licenses and permits of \$0.3 million, fees for service of \$1.5 million and investment revenue of \$0.3 million. The higher revenues were offset by lower intergovernmental revenues of \$5.0 million, and fines and forfeitures of \$0.1 million. Expenditures reflect higher costs for public safety of \$3.1 million, higher costs for general government of \$1.7 million, higher costs for parks and recreation of \$0.7 million, and higher capital expenditures of \$2.3 million. The higher expenditures were offset by lower public works expenses of \$0.8 million. Total expenditures of the City's combined governmental funds are \$9.0 million higher than the prior year. New proceeds from the issuance of long-term debt added \$22.8 million in new funding. Net transfers increased by \$0.1 million, from \$1.5 million in fiscal year 2015, to \$1.6 million in fiscal year 2016. Approximately 22.3% of the \$124,749,799, or \$27,828,145, is available for spending at the government's discretion (unassigned fund balance)
- The City's total noncurrent liabilities, including other noncurrent liabilities, increased by \$77,659,719 during the fiscal year. The primary reasons for the changes are the issuance of \$28.9 million of general obligation refunding and improvement bonds, \$83.3 million of certificates of obligation, and the issuance of \$38.4 million of general obligation refunding bonds, offset by the normal pay down of general obligation bonds and certificates of obligation of \$38.4 million, and the normal pay down of revenue bonds of \$10.2 million. The general obligation refunding bonds refunded \$4.5 million of general obligation bonds, \$10.4 million of certificates of obligation and \$53.1 million of revenue bonds. All utility revenue bonds were refunded and are no longer reflected in the City's financial statements. In addition to issuance and pay down of debt, the City increased total noncurrent liabilities for pensions by \$26.5 million and other post-employment benefit obligations by \$2.6 million. Additional information on the City's long-term debt can be found in note IV. G. on pages 52 - 56 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the City's assets, liabilities, deferred inflows, and deferred outflows 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.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave). Both the statement of net position and the statement of activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis.

In its Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

- **Governmental activities.** Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, public works, building inspection, technology services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities.** The City charges a fee to customers to cover the cost of services it provides. The City's utility systems (electric, water and wastewater), solid waste and airport activities are reported here. The government-wide financial statements can be found on pages 15 - 17 of the report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. The below illustration summarizes the major features the City's financial statements.

Major Features of City of Denton's Government-wide and Fund Financial Statements

	<u>Government-wide Statements</u>	<u>Fund Statements</u>	
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire City government	Activities of the City that are not proprietary, such as police, fire and parks	Activities the City operates similar to private businesses: electric, water, wastewater utilities, solid waste and airport operations
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Types of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year of soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
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All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental funds.** The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Denton maintains twelve 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 fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for eight of these non-major governmental funds, along with an aggregate of all other governmental funds, is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds.** The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are similar to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the City's municipal warehouse, the City's self-insurance fund, and the City's equipment maintenance function. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City of Denton maintains five enterprise funds. The City uses enterprise funds to account for its electric, water, wastewater, solid waste, and airport operations. The funds provide the same type of information as the government-wide financial statements, only in more detail and include the internal service fund-type activity. The City considers all enterprise funds to be major funds.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are a component of fiduciary funds. Agency funds differ from other fiduciary funds in that they do not typically involve a formal trust agreement. Agency funds are used to account for situations where the City's role is purely custodial, such as receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations, or other governments.

The City maintains one fiduciary fund, an agency fund. The City uses agency funds to account for the collection and payment of property and evidence, temporary developer holdings and other similar relationships.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 74 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of September 30, 2016, the City's combined net position were \$775,883,245, of which \$155,426,031 can be attributed to governmental activities and \$620,457,214 attributed to business-type activities. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (78.1%) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 228,329	\$ 212,610	\$ 411,484	\$ 395,349	\$ 639,813	\$ 607,959
Capital assets, net of accumulated depreciation	237,091	228,555	867,834	792,582	1,104,925	1,021,137
Total assets	465,420	441,165	1,279,318	1,187,931	1,744,738	1,629,096
Deferred outflows of resources	31,094	11,727	17,949	9,161	49,043	20,888
Long-term liabilities outstanding	223,907	195,143	604,736	555,840	828,643	750,983
Other liabilities	114,351	111,312	71,384	71,403	185,735	182,715
Total liabilities	338,258	306,455	676,120	627,243	1,014,378	933,698
Deferred inflows of resources	2,830	82	690	56	3,520	138
Net position:						
Net investment in capital assets	145,310	141,915	460,330	421,894	605,640	563,809
Restricted	13,737	13,215	8,892	25,357	22,629	38,572
Unrestricted	(3,621)	(8,775)	151,235	122,542	147,614	113,767
Total net position	\$ 155,426	\$ 146,355	\$ 620,457	\$ 569,793	\$ 775,883	\$ 716,148

Governmental activities increased the City's net position by \$9,071,253. Business-type activities increased the City's net position by \$50,663,973. The key elements of these increases are contained in Table 2.

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016

Table 2
Changes in Net Position
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 21,841	\$ 18,274	\$ 268,793	\$ 266,428	\$ 290,634	\$ 284,702
Operating grants and contributions	2,856	3,380	-	-	2,856	3,380
Capital grants and contributions	5,885	10,443	7,705	8,594	13,590	19,037
General Revenues:						
Property tax	58,788	54,175	-	-	58,788	54,175
Sales tax	32,624	30,602	-	-	32,624	30,602
Franchise tax	22,659	21,996	-	-	22,659	21,996
Hotel occupancy tax	2,243	2,156	-	-	2,243	2,156
Beverage tax	597	574	-	-	597	574
Bingo tax	19	20	-	-	19	20
Investment Income	1,020	759	2,010	1,693	3,030	2,452
Miscellaneous	1,586	1,930	1,198	42	2,784	1,972
Total revenues	<u>150,118</u>	<u>144,309</u>	<u>279,706</u>	<u>276,757</u>	<u>429,824</u>	<u>421,066</u>
Expenses:						
General government	33,847	31,260	-	-	33,847	31,260
Public safety	63,118	58,132	-	-	63,118	58,132
Public works	24,557	20,332	-	-	24,557	20,332
Parks and recreation	16,044	14,983	-	-	16,044	14,983
Interest on long-term debt	4,665	4,385	-	-	4,665	4,385
Electric	-	-	145,964	158,107	145,964	158,107
Water	-	-	26,001	25,871	26,001	25,871
Wastewater	-	-	23,921	24,307	23,921	24,307
Solid waste	-	-	29,435	26,767	29,435	26,767
Airport	-	-	2,537	2,100	2,537	2,100
Total expenses	<u>142,231</u>	<u>129,092</u>	<u>227,858</u>	<u>237,152</u>	<u>370,089</u>	<u>366,244</u>
Increase in net position before transfers	7,887	15,217	51,848	39,605	59,735	54,822
Transfers	1,184	1,141	(1,184)	(1,141)	-	-
Increase in net position	9,071	16,358	50,664	38,464	59,735	54,822
Net position at beginning of year, restated	146,355	129,997	569,793	531,329	716,148	661,326
Net position at end of year	<u>\$ 155,426</u>	<u>\$ 146,355</u>	<u>\$ 620,457</u>	<u>\$ 569,793</u>	<u>\$ 775,883</u>	<u>\$ 716,148</u>

Governmental activities. Expenses for the governmental activities reflects an increase of \$2.6 million in general government, an increase of \$5.0 million in public safety, a \$4.2 million increase in public works, and a \$1.1 million increase in parks and recreation. The most significant governmental activities expense was in providing public safety, which incurred expenses of \$63,118,516. The most significant portion of public safety is the cost of personnel, which totaled \$51,021,841. Governmental activities expense also includes general government, which incurred \$33,847,052 in expenses, of which \$16,640,057 represented personnel charges.

These expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are \$58,788,255 for the fiscal year ended September 30, 2016. The \$1.5 million decrease in governmental program revenues are mainly due to an increase of \$3.6 million in charges for services, operating grants and contributions decreased \$0.5 million and the capital grants and contributions decreased \$4.6 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016

Governmental general revenues included an increase of \$4.6 million for property tax due to rising values and an increase of \$2.0 million for sales tax due to an improving economy. Transfers reflect a \$1.2 transfer in for the current year as compared to a transfer in of \$1.1 million on the prior fiscal year.

Business-type activities. Business-type activities increased the City's net position by \$50,663,973, accounting for 84.8% of the growth in the entity-wide net position. Utility service revenues decreased by \$0.4 million. Electric charges for services decreased by \$2.7 million mainly due to lower sales figures contributing a \$1.1 million base rate reduction, \$7.4 million in lower ECA recovery, offset by \$5.6 million in higher transmission of energy for other utilities as compared to the prior year. Water charges for services remained unchanged as compared to the service charges from prior year. While water rates were increased for both residential and commercial customers, billed volumes were down. Wastewater charges provided \$0.8 million of the increase due to increased billed wastewater winter volumes of 6.9% and rate increases for retail and commercial customers. Solid Waste charges for service provided \$2.1 million. One of the larger factors was an increase in waste collections service companies rerouting to the Denton landfill due to the construction of I-35, adding \$0.8 million to the landfill revenues. Another large addition to the solid waste revenue was a general increase in open top containers due to an increase in construction activities, adding \$0.4 million. A 2.4% increase for residential cart service, a 6.4% rate increase for commercial front load and a 4.0% rate increase for commercial side load provided an increase of \$0.6 million. Airport charges for goods and services remained unchanged as compared to service charges from the prior year. Water and Wastewater collected \$4.9 million and \$2.3 million in impact fees, respectively, reflecting a \$0.8 million increase over the prior year. Capital contributions, which arise from new property development within the City, represent a major revenue source for the Water and Wastewater during the current fiscal year, producing \$7.7 million in revenue. The Airport gas well revenues contributed an additional \$0.5 million to the increase in net position, down \$0.1 million from the prior year. Total enterprise funds operating costs, before depreciation, decreased by \$8.3 million. Electric expenses reflect a reduction of \$12.7 million for decreased costs related to purchase power costs of \$19.1 million offset by increased personal services of \$3.6 million and administrative cost of \$3.3 million. Water expense reflect \$0.4 million in increased costs for personal services and \$0.1 million for repairs and administrative costs. Wastewater expenses reflect a \$0.5 million in increased costs for purchased power of \$0.2 million, personal services of \$0.5 million, materials and supplies of \$0.3 million, and administrative costs of \$0.1 million offset by lower repairs and maintenance of \$0.5 million. Solid Waste operations expense reflect a \$3.0 million in increased costs for personal services of \$1.0 million and administrative costs of \$1.7 million. Airport operations expense reflect a \$0.4 million increase in administrative costs.

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 resources available to spend. 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 the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$124.7 million, an increase of \$11.8 million in comparison with the prior year. Approximately \$27.8 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance has been classified to indicate that it is not available for new spending because it has already been classified as restricted (\$81.8 million), committed (\$7.8 million), and assigned (\$7.3 million).

The General Fund is the chief operating fund of the City. At September 30, 2016, the unassigned fund balance of the General Fund was \$28.1 million, or 25.4% of budgeted general fund expenditures. The General Fund's ending fund balance increased by \$0.8 million during the current fiscal year. The change in fund balance is due to expenditures, including other financing uses, of \$101.7 million, and revenues, including other financing sources, of \$102.5 million. Revenues were \$6.6 million higher compared to the previous year primarily due to

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016

increased taxes of \$4.5 million, licenses and permits of \$0.3 million, franchise fees of \$0.3 million, and fees for service of \$1.4 million. The net change in expenditures was \$7.3 million higher as compared to the previous year primarily due to increased costs related to personal services, operations, and transfers out. The increased personnel costs accounted for \$4.8 million, of which, general government increased \$1.6 million, public safety increased \$2.8 million, and parks and recreation increased by \$0.4 million. The increased operations costs of \$0.5 million over the prior year is related to an increase of general government in the amount of \$0.6 million and parks and recreation in the amount of \$0.1 million, offset by a decrease in public safety of \$0.2 million. The increased transfers out of \$2.2 is due to \$2.2 million increased transfers to capital projects.

Personnel costs, on a year over year comparison, were higher due to an average merit increase of 3% for non-civil service employees, a pay adjustment for civil service employees to reach the market average plus 5% and continued step raises for public safety civil service employees. Additional personnel costs included equity adjustments for employees whose salary was below the market rate for their positions. During the fiscal year 11 FTE's were added to public safety, and 13.6 FTE's were added to neighborhood and community services in general government.

At the end of the fiscal year, the capital projects fund has a total fund balance of \$75.1 million, an increase of \$9.4 million. The total fund balance is made up of \$68.0 million in restricted funds and \$7.2 million in assigned funds, all for capital construction and acquisition. In 2016, the City received \$25.0 million of proceeds from the issuance of debt and \$1.7 million of regional toll revenues from the Texas Department of Transportation, the North Central Texas Council of Governments, and Denton County for street construction while expending \$24.5 million on construction and acquisition. In addition, the capital projects fund received \$0.4 million in interest income, \$0.5 million from the sale of fixed assets and insurance recoveries, approximately \$0.4 million due primarily to developer's aid in construction, and \$6.6 million of transfers from other funding sources.

The debt service fund has a total fund balance of \$4.9 million, all of which is restricted for the payment of debt service. As compared with the prior year results, the overall increase in the debt service fund balance of \$0.1 million resulting from an increase of \$1.9 million in tax revenue, offset by an increase of \$2.0 million in principal and interest costs, and \$0.1 million of investment revenue. Net change from the prior year of a \$0.7 million decrease of premiums on debt issuance and a reduction of \$0.7 million in the refunding bonds issued and the payments to refunded bond escrow agent while transfers in increased by \$0.1 million.

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 at September 30, 2016 in proprietary funds are \$62.7 million for Electric, \$40.3 million for Water, \$32.1 million for Wastewater, \$2.2 million for Solid Waste, and \$2.7 million for the Airport Fund. The results reflect an increase of the unrestricted net position in the Electric Fund of \$12.2 million, the Water fund of \$8.2 million, the Wastewater fund of \$6.8 million, the Solid Waste fund of \$1.2 million, and a decrease in the Airport fund of \$1.0 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Denton's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2016, two formal amendments to adjust the City's of Denton Annual Program of Services was approved by Council for the General Fund. Council approved funding to provide for additional improvements, equipment and other expenses. The funds increased were the General Fund by \$1.7 million, Water Fund by \$1.0 million, Wastewater Fund by \$0.9 million, Materials Management Fund by \$0.5 million, the Tree Mitigation Fund by \$0.1 million and the Traffic Safety Fund by \$0.4 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
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GENERAL FUND BUDGET TO ACTUAL HIGHLIGHT

For fiscal year 2016, General Fund actual expenditures (including transfers) on a budgetary basis were \$110.1 million compared to the final budget of \$110.3 million. The \$0.2 million positive expenditure variance was primarily due to reduced costs of \$0.1 million in personnel, \$0.1 million in materials, \$0.1 in maintenance and \$0.2 million in operations and services offset by a negative variance of \$0.3 million in transfers out. The lower Personnel costs were due to \$0.5 million lower costs in public safety, \$0.1 million in parks and recreation, and \$0.1 million in public works offset by \$0.6 million higher than budgeted personnel costs in general government.

In addition to personnel savings, public safety, public works and parks and recreation also saw a combined positive variance of \$0.5 million offset by a negative \$0.3 million in operations and services costs. General government experienced a negative \$0.3 variance higher than budgeted transfers out.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were \$110.9 million compared to the final budget of \$108.8 million. Of the \$2.1 million revenue variance, approximately, \$1.7 million is a positive revenue variance is due to greater than budgeted sales tax revenue, a \$0.5 million positive revenue variance for licenses and permits, a \$0.2 positive revenue variance for transfers in and a negative \$0.3 million variance due to lower than budgeted ad valorem tax. Licenses and permits experienced a positive variance of \$0.5 million due to higher than budgeted revenues collected. Fines and forfeitures experienced \$0.7 million in lower than budgeted revenues offset by \$0.8 million greater than budgeted fees for service.

The City of Denton's General Fund unassigned fund balance at September 30, 2016 is \$28.1 million, or 25.4% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2016 unassigned fund balance.

	Actual 9/30/2016	Actual 9/30/2015
Unassigned balance	\$28,070,483	\$27,365,168
% of total budgeted expenditures	25.4%	26.4%
Policy level	20% plus up to a 5% resiliency reserve	15-20%

The largest revenue source of the General Fund's budget was the ad valorem tax. Denton's ad valorem tax rate is comprised of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The Denton Central Appraisal District's certified appraisal roll shows an increase of 8.54% compared to the prior year certified value, which showed an increase of 11.72%. The current property tax year included \$202.0 million of new growth and construction that was added to the tax rolls in Tax year 2015 as compared to Tax year 2014. The fiscal year 2016 ad valorem tax rate remained the same as compared to the prior years' rate of \$0.68975 per \$100 of valuation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of fiscal year 2016, the City had \$1,104,924,193 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical infrastructure, and water and sewer lines (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$83,787,405 or 8.5% over the prior fiscal year.

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Table 3
Capital Assets at Year-end
(Net of Accumulated Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 16,511	\$ 15,867	\$ 27,182	\$ 23,675	\$ 43,693	\$ 39,542
Landfill improvements	-	-	5,336	6,575	5,336	6,575
Building and improvements	35,182	36,790	12,439	12,797	47,621	49,587
Plant, machinery and equipment	35,278	34,272	195,463	170,220	230,741	204,492
Water rights	-	-	50,831	51,529	50,831	51,529
Infrastructure	94,164	91,765	339,628	314,404	433,792	406,169
Construction in progress	55,955	49,861	236,955	213,382	292,910	263,243
Total capital assets	<u>\$ 237,090</u>	<u>\$ 228,555</u>	<u>\$ 867,834</u>	<u>\$ 792,582</u>	<u>\$ 1,104,924</u>	<u>\$ 1,021,137</u>

This year's major asset additions included:

Description	Amount
Cooper Creek Substation	\$ 13,183,229
Hwy 380 Utilities Relocation	9,321,763
Bonnie Brae Substation	6,799,488
Southwest Elevated Storage	5,736,437
State School Interceptor II	3,547,393
Hickory Street Grand	3,219,519
Teasley Substation	2,077,725
Pecan Creek Interceptor II	1,994,983
FM 2499 Utility Relocation	1,765,650
Holiday Park WW Collector	1,299,409
Total	<u>\$ 48,945,598</u>

Additional information on the City's capital assets can be found in note IV. D. on pages 47 - 49 of this report.

Debt. At year-end, the City had \$701.9 million in bonds and notes outstanding as compared to \$667.9 million at the end of the prior fiscal year, an increase of 5.1%, as shown in Table 4.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 109,861	\$ 95,019	\$ 141,064	\$ 108,586	\$ 250,925	\$ 203,605
Certificates of obligation	34,565	41,590	416,465	359,375	451,030	400,965
Revenue bonds	-	-	-	63,340	-	63,340
Total	<u>\$ 144,426</u>	<u>\$ 136,609</u>	<u>\$ 557,529</u>	<u>\$ 531,301</u>	<u>\$ 701,955</u>	<u>\$ 667,910</u>

These amounts do not include net unamortized premiums/ (discounts) of \$47,765,420 or net deferred gain/ (loss) on refunding of (\$7,726,251). During the current fiscal year, the City issued debt two times, in June 2016 and in September 2016. The May debt issuance resulted in \$83.3 million in certificates of obligation, of which \$76.1

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2016

million is for enterprise operations, \$7.2 million is for governmental activities, and \$28.9 million in general obligation refunding and improvement bonds which refunded \$4.5 million in general obligation bonds, \$10.4 million in certificates of obligation and provided \$15.6 million of new funding for various governmental capital improvements. The September debt issuance resulted in \$38.4 million general obligation refunding bonds which refunded utility operation activities. Normal pay down in general obligation bonds was \$15.5 million, and \$22.8 million in certificates of obligation. All utility revenue bonds have been refunded and are no longer reflected in the City's financial statements.

Moody's Investor's Service, Inc. has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "Aa2." Standard and Poor's Corporation has given both the City's General Obligation Bonds and Certificates of Obligation an "AA+" rating. Fitch has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "AA+." The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to certified assessed value of all taxable property is 2.25%.

Other long-term liabilities. The City maintains a self-insurance program for general liability, auto liability, public officials' liability, errors and omission liability, police professional liability, and workers' compensation. Private insurance companies cover claims for property loss over \$50,000 per location/\$250,000 per occurrence aggregate, for workers' compensation losses over \$500,000 per occurrence, and for liability over \$500,000 per occurrence. The Risk Retention Fund has a reserve for claims and judgments of \$2.5 million outstanding at year-end compared with \$2.9 million at the end of the prior fiscal year. Other obligations include pension liabilities, accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note IV. G., on pages 52 - 56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While growth for the Denton community is expected to be moderate in the short term, demands for city services are expected to remain strong over the long term. As a result, the fiscal year 2017 Budget includes an Ad valorem tax rate of \$0.68334/\$100 valuation, a decrease of \$0.00641/\$100 in comparison to the prior year. While sales tax has increased over the prior year by 3.1%, financial projections anticipate an increase of 3.0% in fiscal year 2017. General Fund expenditure enhancements for fiscal year 2017 include new positions in public safety, neighbor services, administrative and community services. Funding enhancements of \$2.6 million will be budgeted for public safety, \$0.8 million for neighbor services, and \$0.2 million for administrative and community services in fiscal year 2017 in accordance with priorities established through the Strategic Plan.

The fiscal year 2017 budget includes a base rate increase of 4.5% for all electric customers. The water budget includes an average rate increase of 4.3% for residential customers and a 5.0% increase for commercial customers. Wastewater includes an average rate increase of 1.87% for residential customers and a 2.0% increase for commercial customers. The solid waste residential standard cart rate will increased by 1.8%.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Denton Finance Department, 215 E. McKinney, Denton, Texas 76201.

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Exhibit I

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	\$ 66,608,852	\$ 170,576,611	\$ 237,185,463
Receivables, net of allowances:			
Taxes	6,637,439	-	6,637,439
Accounts	-	13,481,000	13,481,000
Unbilled utility service	-	14,359,839	14,359,839
Interest	313,514	799,433	1,112,947
Other	3,941,561	1,136,578	5,078,139
Internal balances	(15,289,665)	15,289,665	-
Due from other governments	1,355,377	-	1,355,377
Inventory	6,399,916	-	6,399,916
Prepaid items	94,914	53,091,991	53,186,905
Debt issuance costs - insurance	2,927	869	3,796
Total current assets	<u>70,064,835</u>	<u>268,735,986</u>	<u>338,800,821</u>
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	157,070,800	142,032,210	299,103,010
Escrow deposits	169,000	50,000	219,000
Accrued interest	736,188	665,687	1,401,875
Other receivables	284,717	-	284,717
Debt issuance costs - insurance	3,884	-	3,884
Capital assets not being depreciated:			
Land	16,511,038	27,181,732	43,692,770
Construction in progress	55,954,816	236,954,779	292,909,595
Capital assets, net of accumulated depreciation:			
Buildings	35,181,743	12,439,265	47,621,008
Plant, machinery and equipment	35,277,982	195,462,467	230,740,449
Infrastructure	94,164,951	339,628,240	433,793,191
Landfill improvements	-	5,336,489	5,336,489
Water rights	-	50,830,691	50,830,691
Total noncurrent assets	<u>395,355,119</u>	<u>1,010,581,560</u>	<u>1,405,936,679</u>
Total assets	<u>465,419,954</u>	<u>1,279,317,546</u>	<u>1,744,737,500</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refundings	2,332,357	5,393,894	7,726,251
Deferred pension balances	28,761,409	12,554,967	41,316,376
Total deferred outflows of resources	<u>31,093,766</u>	<u>17,948,861</u>	<u>49,042,627</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	8,282,458	15,250,525	23,532,983
Retainage payable	4,635	212,730	217,365
Deposits	-	4,719,859	4,719,859
Accrued interest	5,462	22,388	27,850
Due to other governments	355	-	355
Noncurrent liabilities due within one year	23,648,120	39,535,159	63,183,279
Other liabilities	341,064	-	341,064
Unearned revenue	79,956,356	-	79,956,356
Payable from restricted assets:			
Accounts payable	826,087	7,001,752	7,827,839
Retainage payable	497,431	1,438,622	1,936,053
Accrued interest	788,541	3,203,352	3,991,893
Total current liabilities	<u>114,350,509</u>	<u>71,384,387</u>	<u>185,734,896</u>
Noncurrent liabilities:			
Noncurrent liabilities due in more than one year	<u>223,907,156</u>	<u>604,735,306</u>	<u>828,642,462</u>
Total noncurrent liabilities	<u>223,907,156</u>	<u>604,735,306</u>	<u>828,642,462</u>
Total liabilities	<u>338,257,665</u>	<u>676,119,693</u>	<u>1,014,377,358</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension balances	<u>2,830,024</u>	<u>689,500</u>	<u>3,519,524</u>
Total deferred inflows of resources	<u>2,830,024</u>	<u>689,500</u>	<u>3,519,524</u>
NET POSITION:			
Net investment in capital assets	145,309,987	460,330,063	605,640,050
Restricted for:			
Debt service	4,314,370	-	4,314,370
Parks and recreation	5,594,855	-	5,594,855
Capital acquisition	-	8,892,547	8,892,547
Other grants and purposes	3,827,399	-	3,827,399
Unrestricted	(3,620,580)	151,234,604	147,614,024
Total net position	<u>\$ 155,426,031</u>	<u>\$ 620,457,214</u>	<u>\$ 775,883,245</u>

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

CITY OF DENTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 33,847,052	\$ 6,015,305	\$ 1,912,293	\$ -
Public safety	63,118,516	9,827,784	695,841	451,545
Public works	24,557,482	729,528	-	5,433,488
Parks and recreation	16,043,697	5,268,637	247,367	-
Interest expense	4,664,608	-	-	-
Total governmental activities	142,231,355	21,841,254	2,855,501	5,885,033
Business-type activities:				
Electric system	145,963,753	166,290,498	-	-
Water system	26,000,734	38,181,034	-	2,693,069
Wastewater system	23,921,154	31,900,885	-	4,913,490
Solid waste	29,435,101	31,236,506	-	-
Airport	2,536,460	1,183,661	-	98,542
Total business-type activities	227,857,202	268,792,584	-	7,705,101
Total primary government	\$ 370,088,557	\$ 290,633,838	\$ 2,855,501	\$ 13,590,134

General revenues:

Taxes:

Property tax

Sales tax

Franchise fees

Hotel occupancy tax

Beverage tax

Bingo tax

Investment income

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

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

Exhibit II

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (25,919,454)	\$ -	\$ (25,919,454)
(52,143,346)	-	(52,143,346)
(18,394,466)	-	(18,394,466)
(10,527,693)	-	(10,527,693)
(4,664,608)	-	(4,664,608)
<u>(111,649,567)</u>	<u>-</u>	<u>(111,649,567)</u>
-	20,326,745	20,326,745
-	14,873,369	14,873,369
-	12,893,221	12,893,221
-	1,801,405	1,801,405
-	(1,254,257)	(1,254,257)
<u>-</u>	<u>48,640,483</u>	<u>48,640,483</u>
<u>(111,649,567)</u>	<u>48,640,483</u>	<u>(63,009,084)</u>
58,788,255	-	58,788,255
32,624,297	-	32,624,297
22,659,014	-	22,659,014
2,243,264	-	2,243,264
597,284	-	597,284
18,910	-	18,910
1,019,594	2,010,008	3,029,602
498,265	1,197,915	1,696,180
1,087,504	-	1,087,504
1,184,433	(1,184,433)	-
<u>120,720,820</u>	<u>2,023,490</u>	<u>122,744,310</u>
9,071,253	50,663,973	59,735,226
146,354,778	569,793,241	716,148,019
<u>\$ 155,426,031</u>	<u>\$ 620,457,214</u>	<u>\$ 775,883,245</u>

CITY OF DENTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2016

Exhibit III

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash, cash equivalents and investments, at fair value	\$ 23,899,128	\$ 4,823,834	\$ 155,679,112	\$ 18,085,292	\$ 202,487,366
Receivables, net of allowances for uncollectibles:					
Taxes	6,375,509	261,930	-	-	6,637,439
Accrued interest	113,512	22,609	729,648	84,760	950,529
Other	3,629,445	-	-	528,576	4,158,021
Interfund receivables	672,302	-	-	-	672,302
Due from other governments	502,621	-	-	852,756	1,355,377
Total assets	\$ 35,192,517	\$ 5,108,373	\$ 156,408,760	\$ 19,551,384	\$ 216,261,034
LIABILITIES:					
Accounts payable	4,183,499	-	846,048	2,108,245	7,137,792
Retainage payable	-	-	500,896	1,170	502,066
Interfund payables	-	-	-	342,656	342,656
Due to other governments	355	-	-	-	355
Other liabilities	341,064	-	-	-	341,064
Unearned revenues	-	-	79,918,959	37,397	79,956,356
Total liabilities	4,524,918	-	81,265,903	2,489,468	88,280,289
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	470,880	215,341	-	-	686,221
Unavailable revenue - general services	1,524,250	-	-	-	1,524,250
Unavailable revenue - intergovernmental	502,621	-	-	517,854	1,020,475
Total deferred inflows of resources	2,497,751	215,341	-	517,854	3,230,946
FUND BALANCES:					
Restricted for:					
Debt service	-	4,893,032	-	-	4,893,032
Parks and recreation	-	-	7,958,979	5,594,855	13,553,834
Streets and drainage projects	-	-	46,511,509	-	46,511,509
Other capital projects	-	-	13,512,733	-	13,512,733
Other grants and purposes	-	-	-	3,319,230	3,319,230
Committed to:					
Streets	-	-	-	1,798,624	1,798,624
Parks and recreation	-	-	-	498,150	498,150
Other purposes	-	-	-	5,500,983	5,500,983
Assigned to:					
Streets and drainage projects	-	-	3,430,681	-	3,430,681
Use of reserves	99,365	-	-	-	99,365
Capital projects	-	-	3,728,955	-	3,728,955
Other purposes	-	-	-	74,558	74,558
Unassigned	28,070,483	-	-	(242,338)	27,828,145
Total fund balances	28,169,848	4,893,032	75,142,857	16,544,062	124,749,799
Total liabilities, deferred inflows of resources and fund balances	\$ 35,192,517	\$ 5,108,373	\$ 156,408,760	\$ 19,551,384	\$ 216,261,034

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

**CITY OF DENTON, TEXAS
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2016**

Exhibit IV

Total fund balances - governmental funds (Exhibit III)	\$ 124,749,799
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Includes capital assets of internal service funds.	237,090,530
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as unearned revenues in the funds.	3,230,946
Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:	
Deferred loss on refundings	\$ 2,332,357
Deferred pension actuarial losses	18,323,978
Deferred pension assumption changes	2,093,472
Deferred pension contributions	<u>8,343,959</u>
	31,093,766
An internal charge to business-type activities is not recorded at the fund level.	(11,219,311)
Several internal service funds are used by the City's management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included with governmental activities. Internal service fund balances not included in other reconciling items listed above or below:	
Current assets	\$ 28,023,546
Liabilities	<u>(10,442,157)</u>
	17,581,389
Long-term balances, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Includes balances of internal service funds. Long-term liabilities and related balances at year-end consist of:	
General obligation bonds payable	\$ (109,861,174)
Certificates of obligation payable	(34,565,000)
Bond (premiums)/discounts	(9,250,779)
Debt issuance costs	6,811
Accrued interest on the bonds	(794,003)
Capital leases payable	(1,373,230)
Municipal pension obligation	(71,562,651)
Other post employment benefits liability	(5,401,904)
Compensated absences	<u>(11,469,134)</u>
	(244,271,064)
Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:	
Deferred pension balances	<u>(2,830,024)</u>
Total net position of governmental activities (Exhibit I)	<u>\$ 155,426,031</u>

The notes to the basic financial statements are an integral part of this exhibit.

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit V

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 73,316,697	\$ 18,146,617	\$ -	\$ 2,823,297	\$ 94,286,611
Licenses and permits	3,106,162	-	-	-	3,106,162
Franchise fees	13,246,765	-	-	9,412,249	22,659,014
Fines and forfeitures	3,767,796	-	-	2,665,362	6,433,158
Fees for services	7,432,481	-	-	3,494,824	10,927,305
Investment revenue	293,616	131,516	482,573	111,889	1,019,594
Intergovernmental	969,898	-	1,797,565	2,449,839	5,217,302
Miscellaneous	168,732	-	392,919	785,607	1,347,258
Total revenues	102,302,147	18,278,133	2,673,057	21,743,067	144,996,404
EXPENDITURES:					
Current:					
General government	26,651,405	-	239,360	4,133,591	31,024,356
Public safety	55,724,427	-	322,701	3,019,891	59,067,019
Public works	2,869,618	-	156,703	8,578,645	11,604,966
Parks and recreation	11,875,804	-	72,609	2,039,281	13,987,694
Capital outlay	519,325	-	24,536,374	910,996	25,966,695
Debt service:					
Principal retirement	45,880	13,290,477	-	54,219	13,390,576
Advance refunding escrow	-	147,687	-	-	147,687
Bond issuance costs	-	56,626	98,322	-	154,948
Interest and other charges	-	5,229,095	13,552	4,278	5,246,925
Total expenditures	97,686,459	18,723,885	25,439,621	18,740,901	160,590,866
Excess (deficiency) of revenues over (under) expenditures	4,615,688	(445,752)	(22,766,564)	3,002,166	(15,594,462)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	-	12,045,000	-	-	12,045,000
Payment to refunded bond escrow agent	-	(14,075,445)	-	-	(14,075,445)
Issuance of long-term debt	-	-	22,780,000	-	22,780,000
Premium on debt issuance	-	2,089,437	2,228,380	-	4,317,817
Insurance recoveries	-	-	30,624	-	30,624
Capital lease proceeds	-	-	150,155	-	150,155
Sale of capital assets	170,869	-	359,185	-	530,054
Transfers in	-	487,912	6,638,400	1,038,263	8,164,575
Transfers out	(3,981,877)	-	-	(2,610,965)	(6,592,842)
Total other financing sources (uses)	(3,811,008)	546,904	32,186,744	(1,572,702)	27,349,938
Net change in fund balances	804,680	101,152	9,420,180	1,429,464	11,755,476
Fund balance at beginning of year	27,365,168	4,791,880	65,722,677	15,114,598	112,994,323
Fund balances at end of year	\$ 28,169,848	\$ 4,893,032	\$ 75,142,857	\$ 16,544,062	\$ 124,749,799

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

**CITY OF DENTON, 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, 2016**

Exhibit VI

Net change in fund balances - total governmental funds (Exhibit V)	\$ 11,755,476
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 and reported as depreciation expense. This is the amount by which capital outlay (\$25,966,695) is different from depreciation and retirement of assets (\$14,268,804 = \$16,760,776 total governmental minus \$2,491,972 internal service portion) in the current period.	11,697,891
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Such amounts are recorded in the funds when considered available.	1,057,501
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position.	(2,030,459)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments exceeded proceeds.	(8,119,579)
Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials.	(2,927,517)
Certain 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.	(3,424,554)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and technology services, to individual funds. A portion of the net revenue (expense) of certain internal service funds is reported with governmental activities. The amount reported with business-type activities is \$1,286,598.	1,062,494
Change in net position of governmental activities (Exhibit II)	\$ 9,071,253

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



CITY OF DENTON, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit VII

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes	\$ 71,855,363	\$ 71,855,363	\$ 73,316,697	\$ -	\$ 73,316,697	\$ 1,461,334
Licenses and permits	2,585,042	2,585,042	3,106,162	-	3,106,162	521,120
Franchise fees	13,458,378	13,458,378	13,246,765	-	13,246,765	(211,613)
Fines and forfeitures	4,464,927	4,464,927	3,767,796	-	3,767,796	(697,131)
Fees for services	6,867,702	6,867,702	7,432,481	266,566	7,699,047	831,345
Investment revenue	196,541	196,541	293,616	-	293,616	97,075
Intergovernmental	1,037,902	1,037,902	969,898	-	969,898	(68,004)
Miscellaneous	163,306	163,306	168,732	-	168,732	5,426
Total revenues	<u>100,629,161</u>	<u>100,629,161</u>	<u>102,302,147</u>	<u>266,566</u>	<u>102,568,713</u>	<u>1,939,552</u>
EXPENDITURES:						
Current:						
General government	30,929,680	29,890,003	26,651,405	3,897,848	30,549,253	(659,250)
Public safety	54,136,012	54,162,348	55,724,427	(2,387,253)	53,337,174	825,174
Public works	3,033,740	2,972,929	2,869,618	(94,207)	2,775,411	197,518
Parks and recreation	11,548,757	11,487,804	11,875,804	(590,421)	11,285,383	202,421
Capital outlay	578,353	514,491	519,325	-	519,325	(4,834)
Debt service:						
Principal retirement	-	-	45,880	-	45,880	(45,880)
Total expenditures	<u>100,226,542</u>	<u>99,027,575</u>	<u>97,686,459</u>	<u>825,967</u>	<u>98,512,426</u>	<u>515,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>402,619</u>	<u>1,601,586</u>	<u>4,615,688</u>	<u>(559,401)</u>	<u>4,056,287</u>	<u>2,454,701</u>
OTHER FINANCING SOURCES (USES):						
Sale of capital assets	141,000	141,000	170,869	-	170,869	29,869
Transfer in	7,979,788	7,979,788	-	8,157,673	8,157,673	177,885
Transfers out	(8,367,823)	(11,279,170)	(3,981,877)	(7,598,272)	(11,580,149)	(300,979)
Total other financing sources (uses)	<u>(247,035)</u>	<u>(3,158,382)</u>	<u>(3,811,008)</u>	<u>559,401</u>	<u>(3,251,607)</u>	<u>(93,225)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>155,584</u>	<u>(1,556,796)</u>	<u>804,680</u>	<u>-</u>	<u>804,680</u>	<u>2,361,476</u>
Fund balances at beginning of year	<u>27,365,168</u>	<u>27,365,168</u>	<u>27,365,168</u>	<u>-</u>	<u>27,365,168</u>	<u>-</u>
Fund balance at end of year	<u>\$ 27,520,752</u>	<u>\$ 25,808,372</u>	<u>\$ 28,169,848</u>	<u>\$ -</u>	<u>\$ 28,169,848</u>	<u>\$ 2,361,476</u>

Adjustments - Budgetary Basis are expenditures allocated to and reimbursed by other funds. These expenditures are recorded in the other funds' financials.

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

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds			
	Utility System			
	Electric Fund	Water Fund	Wastewater Fund	Solid Waste Fund
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	\$ 79,920,152	\$ 44,091,887	\$ 35,488,877	\$ 8,018,545
Receivables, net of allowances:				
Accounts	9,040,567	1,637,721	1,369,028	1,416,515
Unbilled utility service	9,369,331	1,910,171	1,545,108	1,535,229
Accrued interest	374,576	206,620	166,330	37,579
Other	986,328	-	-	-
Interfund receivables	3,303,307	515,357	251,690	-
Merchandise inventory	-	-	-	-
Prepaid items	53,076,937	15,054	-	-
Unamortized debt issuance costs - insurance	-	-	-	869
Total current assets	156,071,198	48,376,810	38,821,033	11,008,737
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	65,573,654	28,441,511	18,146,021	29,476,572
Escrow deposit	-	50,000	-	-
Accrued interest	307,335	133,302	85,048	138,153
Total restricted assets	65,880,989	28,624,813	18,231,069	29,614,725
Capital assets, net of accumulated depreciation	361,053,359	249,359,330	196,382,911	46,739,253
Total noncurrent assets	426,934,348	277,984,143	214,613,980	76,353,978
Total assets	583,005,546	326,360,953	253,435,013	87,362,715
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	1,999,660	2,749,830	421,905	192,763
Deferred pension actuarial losses	3,465,056	1,644,488	1,308,224	1,615,424
Deferred pension contributions	1,892,253	884,989	706,753	872,988
Total deferred outflows of resources	7,356,969	5,279,307	2,436,882	2,681,175
LIABILITIES:				
Current liabilities:				
Accounts payable	12,983,018	689,898	678,011	866,026
Retainage payable	-	129,688	51,681	-
Claims payable	-	-	-	-
Compensated absences payable	1,169,772	479,809	384,443	434,344
Leases payable	-	-	-	-
Deposits	4,168,506	249,894	103,080	198,379
Accrued interest	-	-	-	-
Interfund payables	-	-	-	-
Payable from restricted assets:				
Accounts payable	4,416,603	159,780	721,417	1,703,952
Retainage payable	676,623	487,996	202,287	42,763
Accrued interest	2,115,996	459,349	284,876	343,131
Certificate and general obligation bonds	16,389,028	8,640,580	5,125,692	6,563,363
Total current liabilities paid from restricted assets	23,598,250	9,747,705	6,334,272	8,653,209
Total current liabilities	41,919,546	11,296,994	7,551,487	10,151,958

Exhibit VIII

<u>Airport Fund</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 3,057,150	\$ 170,576,611	\$ 21,192,286
17,169	13,481,000	-
-	14,359,839	-
14,328	799,433	99,173
150,250	1,136,578	68,257
-	4,070,354	-
-	-	6,399,916
-	53,091,991	94,914
-	869	-
<u>3,238,897</u>	<u>257,516,675</u>	<u>27,854,546</u>
394,452	142,032,210	-
-	50,000	169,000
1,849	665,687	-
<u>396,301</u>	<u>142,747,897</u>	<u>169,000</u>
<u>14,298,810</u>	<u>867,833,663</u>	<u>9,263,013</u>
<u>14,695,111</u>	<u>1,010,581,560</u>	<u>9,432,013</u>
<u>17,934,008</u>	<u>1,268,098,235</u>	<u>37,286,559</u>
29,736	5,393,894	39,563
106,810	8,140,002	1,835,712
57,982	4,414,965	994,783
<u>194,528</u>	<u>17,948,861</u>	<u>2,870,058</u>
33,572	15,250,525	1,970,753
31,361	212,730	-
-	-	2,037,458
23,157	2,491,525	559,652
-	-	768,799
-	4,719,859	-
22,388	22,388	5,462
-	-	4,400,000
-	7,001,752	-
28,953	1,438,622	-
-	3,203,352	-
<u>324,971</u>	<u>37,043,634</u>	<u>263,545</u>
<u>353,924</u>	<u>48,687,360</u>	<u>263,545</u>
<u>464,402</u>	<u>71,384,387</u>	<u>10,005,669</u>

(continued)

CITY OF DENTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds			
	Utility System			
	Electric Fund	Water Fund	Wastewater Fund	Solid Waste Fund
Noncurrent liabilities:				
Leases payable	\$ -	\$ -	\$ -	\$ -
Payable from restricted assets:				
General obligation bonds payable	52,530,897	65,539,616	17,579,176	4,752,720
Certificates of obligation	311,886,803	32,965,639	30,772,065	38,628,484
Compensated absences payable	247,214	56,843	66,577	143,736
Claims payable	-	-	-	-
Municipal pension obligation	15,027,573	7,028,256	5,612,774	6,932,951
Other post employment benefits	873,640	812,355	568,179	652,989
Landfill closure/postclosure costs	-	-	-	7,211,859
Total noncurrent liabilities	<u>380,566,127</u>	<u>106,402,709</u>	<u>54,598,771</u>	<u>58,322,739</u>
Total liabilities	<u>422,485,673</u>	<u>117,699,703</u>	<u>62,150,258</u>	<u>68,474,697</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension balances	294,426	138,802	110,613	136,608
Total deferred inflows of resources	<u>294,426</u>	<u>138,802</u>	<u>110,613</u>	<u>136,608</u>
NET POSITION:				
Net investment in capital assets	104,845,927	167,930,811	158,273,734	19,224,148
Restricted for capital acquisition	-	5,607,327	3,285,220	-
Unrestricted	62,736,489	40,263,617	32,052,070	2,208,437
Total net position	<u>\$ 167,582,416</u>	<u>\$ 213,801,755</u>	<u>\$ 193,611,024</u>	<u>\$ 21,432,585</u>

Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.

Net position of business-type activities (Exhibit I)

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

Exhibit VIII

<u>Airport Fund</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ -	\$ -	\$ 443,839
1,106,672	141,509,081	769,808
3,237,761	417,490,752	-
985	515,355	86,761
-	-	2,033,946
460,474	35,062,028	7,900,206
39,068	2,946,231	616,641
-	7,211,859	-
<u>4,844,960</u>	<u>604,735,306</u>	<u>11,851,201</u>
<u>5,309,362</u>	<u>676,119,693</u>	<u>21,856,870</u>
9,051	689,500	155,432
<u>9,051</u>	<u>689,500</u>	<u>155,432</u>
10,055,443	460,330,063	7,056,585
-	8,892,547	-
<u>2,754,680</u>	<u>140,015,293</u>	<u>11,087,730</u>
<u>\$ 12,810,123</u>	<u>\$ 609,237,903</u>	<u>\$ 18,144,315</u>
	<u>11,219,311</u>	
	<u>\$ 620,457,214</u>	

(concluded)

CITY OF DENTON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
OPERATING REVENUES:			
Utility services	\$ 162,873,650	\$ 32,204,674	\$ 28,122,581
Charges for goods and services	-	-	-
Other fees	3,416,848	992,959	1,475,296
Miscellaneous	-	-	-
Total operating revenues	<u>166,290,498</u>	<u>33,197,633</u>	<u>29,597,877</u>
OPERATING EXPENSES:			
Operating expenses before depreciation	128,716,806	16,916,993	17,758,524
Depreciation	8,786,722	6,892,484	6,681,249
Total operating expenses	<u>137,503,528</u>	<u>23,809,477</u>	<u>24,439,773</u>
Operating income (loss)	<u>28,786,970</u>	<u>9,388,156</u>	<u>5,158,104</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment revenue	918,341	493,911	360,561
Interest expense and fiscal charges	(9,011,087)	(3,102,736)	(955,121)
Impact fee revenue	-	4,983,401	2,303,008
Gain (loss) on disposal of capital assets	(106,754)	32,358	1,241,528
Gas well revenues	-	-	-
Other non-operating revenues (expenses)	-	705,699	1,229,669
Total non-operating revenues (expenses)	<u>(8,199,500)</u>	<u>3,112,633</u>	<u>4,179,645</u>
Income (loss) before contributions and transfers	20,587,470	12,500,789	9,337,749
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	2,693,069	4,913,490
Transfers in	850,466	46,000	372,012
Transfers out	(1,802,158)	(293,711)	(510,772)
Total contributions and transfers	<u>(951,692)</u>	<u>2,445,358</u>	<u>4,774,730</u>
Change in net position	19,635,778	14,946,147	14,112,479
Net position at beginning of year	<u>147,946,638</u>	<u>198,855,608</u>	<u>179,498,545</u>
Total net position at end of year	<u>\$ 167,582,416</u>	<u>\$ 213,801,755</u>	<u>\$ 193,611,024</u>

Change in fund net position of proprietary funds
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.
Change in net position of business-type activities (Exhibit II)

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

Exhibit IX

<u>Solid Waste Fund</u>	<u>Airport Fund</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 30,849,721	\$ -	\$ 254,050,626	\$ -
-	627,200	627,200	66,207,876
386,785	-	6,271,888	-
-	78,151	78,151	1,574,282
<u>31,236,506</u>	<u>705,351</u>	<u>261,027,865</u>	<u>67,782,158</u>
22,460,103	1,846,103	187,698,529	62,812,739
6,459,581	616,720	29,436,756	2,491,972
<u>28,919,684</u>	<u>2,462,823</u>	<u>217,135,285</u>	<u>65,304,711</u>
<u>2,316,822</u>	<u>(1,757,472)</u>	<u>43,892,580</u>	<u>2,477,447</u>
199,272	37,923	2,010,008	118,610
(1,195,121)	(85,561)	(14,349,626)	(99,460)
-	-	7,286,409	-
30,783	-	1,197,915	36,529
-	478,310	478,310	-
405,330	413	2,341,111	-
<u>(559,736)</u>	<u>431,085</u>	<u>(1,035,873)</u>	<u>55,679</u>
1,757,086	(1,326,387)	42,856,707	2,533,126
-	98,542	7,705,101	203,266
1,205,455	-	2,473,933	-
(1,001,725)	(50,000)	(3,658,366)	(387,300)
<u>203,730</u>	<u>48,542</u>	<u>6,520,668</u>	<u>(184,034)</u>
1,960,816	(1,277,845)	49,377,375	2,349,092
<u>19,471,769</u>	<u>14,087,968</u>	<u>559,860,528</u>	<u>15,795,223</u>
<u>\$ 21,432,585</u>	<u>\$ 12,810,123</u>	<u>\$ 609,237,903</u>	<u>\$ 18,144,315</u>
		49,377,375	
		1,286,598	
		<u>\$ 50,663,973</u>	

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Utility System</u>		
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 165,473,750	\$ 34,339,479	\$ 29,600,509
Cash paid to employees for services	(14,638,834)	(9,562,905)	(7,283,160)
Cash paid to suppliers	(105,368,674)	(8,931,060)	(10,527,896)
Net cash provided (used) by operating activities	<u>45,466,242</u>	<u>15,845,514</u>	<u>11,789,453</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(596,703)	(293,711)	(510,772)
Transfers in	53,741	46,000	137,012
Principal payments on non-capital debt	(3,535,000)	-	-
Interest and fiscal charges on non-capital debt	(2,551,022)	-	-
Net cash used by noncapital financing activities:	<u>(6,628,984)</u>	<u>(247,711)</u>	<u>(373,760)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of debt	73,563,087	35,030,956	6,211,107
Principal payments on capital debt	(30,380,000)	(40,305,000)	(7,920,000)
Interest and fiscal charges	(9,498,945)	(5,388,234)	(1,582,332)
Principal payments under capital lease obligation	-	-	-
Proceeds from gas wells	-	-	-
Proceeds from impact fees	-	4,983,401	2,303,008
Proceeds from sale of capital assets	158,815	32,358	1,494,663
Acquisition and construction of capital assets	(69,370,755)	(5,765,156)	(11,011,083)
Net cash used by capital financing activities	<u>(35,527,798)</u>	<u>(11,411,675)</u>	<u>(10,504,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	66,301,629	32,258,299	25,257,493
Purchase of investment securities	(66,487,552)	(34,642,847)	(25,070,517)
Interest received on investments	729,552	390,863	291,958
Net cash provided (used) by investing activities	<u>543,629</u>	<u>(1,993,685)</u>	<u>478,934</u>
Net increase (decrease) in cash and cash equivalents	3,853,089	2,192,443	1,389,990
Cash and cash equivalents at beginning of year	15,043,267	7,234,096	5,576,232
Cash and cash equivalents at end of year	18,896,356	9,426,539	6,966,222
Investments, at fair value (Note IV.A.)	126,597,450	63,106,859	46,668,676
Cash, cash equivalents and investments, at fair value	<u>\$ 145,493,806</u>	<u>\$ 72,533,398</u>	<u>\$ 53,634,898</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	<u>\$ 28,786,970</u>	<u>\$ 9,388,156</u>	<u>\$ 5,158,104</u>
Adjustments:			
Depreciation expense	8,786,722	6,892,484	6,681,249
Decrease (Increase) in receivables	(600,170)	1,189,961	124,362
Increase in interfund receivables	(216,578)	(48,115)	(121,730)
Increase in inventories	-	-	-
Decrease (Increase) in prepaid items	2,977,904	(15,054)	-
Increase in escrow deposits	-	-	-
Increase (Decrease) in accounts payable	4,012,565	(1,787,980)	(399,328)
Increase (Decrease) in compensated absences payable	163,127	(61)	41,721
Increase (Decrease) in net municipal pension balances	1,232,286	(12,364)	114,838
Increase in other post employment benefits	323,416	238,487	190,237
Increase in closure/postclosure liability	-	-	-
Increase in interfund payables	-	-	-
Total adjustments	<u>16,679,272</u>	<u>6,457,358</u>	<u>6,631,349</u>
Net cash provided (used) by operating activities	<u>\$ 45,466,242</u>	<u>\$ 15,845,514</u>	<u>\$ 11,789,453</u>
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:			
Decrease in fair value of investments	(72,163)	(33,377)	(26,892)
Increase (Decrease) in equity due to non-cash transfers	(408,730)	-	235,000
Capital asset contributions	-	2,693,069	4,913,490

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

Exhibit X

Solid Waste Fund	Airport Fund	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ 31,085,204	\$ 714,989	\$ 261,213,931	\$ 67,768,045
(9,811,579)	(620,676)	(41,917,154)	(11,057,411)
<u>(11,031,535)</u>	<u>(1,200,010)</u>	<u>(137,059,175)</u>	<u>(52,371,825)</u>
<u>10,242,090</u>	<u>(1,105,697)</u>	<u>82,237,602</u>	<u>4,338,809</u>
-	(50,000)	(1,451,186)	(387,300)
-	-	236,753	-
-	-	(3,535,000)	-
-	-	<u>(2,551,022)</u>	-
-	<u>(50,000)</u>	<u>(7,300,455)</u>	<u>(387,300)</u>
16,264,749	-	131,069,899	-
(7,176,308)	(290,807)	(86,072,115)	(252,408)
(1,572,765)	(113,659)	(18,155,935)	(98,808)
-	-	-	(756,052)
-	439,753	439,753	-
-	-	7,286,409	-
405,330	-	2,091,166	36,529
<u>(9,168,498)</u>	<u>(190,291)</u>	<u>(95,505,783)</u>	<u>(1,148,263)</u>
<u>(1,247,492)</u>	<u>(155,004)</u>	<u>(58,846,606)</u>	<u>(2,219,002)</u>
4,031,164	4,265,311	132,113,896	8,153,462
(11,296,389)	(3,046,930)	(140,544,235)	(9,262,749)
122,466	38,214	1,573,053	86,932
<u>(7,142,759)</u>	<u>1,256,595</u>	<u>(6,857,286)</u>	<u>(1,022,355)</u>
1,851,839	(54,106)	9,233,255	710,152
3,018,451	502,392	31,374,438	2,070,508
4,870,290	448,286	40,607,693	2,780,660
32,624,827	3,003,316	272,001,128	18,411,627
<u>\$ 37,495,117</u>	<u>\$ 3,451,602</u>	<u>\$ 312,608,821</u>	<u>\$ 21,192,287</u>
<u>\$ 2,316,822</u>	<u>\$ (1,757,472)</u>	<u>\$ 43,892,580</u>	<u>\$ 2,477,447</u>
6,459,581	616,720	29,436,756	2,491,972
(143,562)	9,638	580,229	(8,113)
-	-	(386,423)	-
-	-	-	(405,514)
-	-	2,962,850	(94,914)
-	-	-	(6,000)
816,008	(9,117)	2,632,148	(1,080,177)
24,666	(442)	229,011	64,401
154,336	22,140	1,511,236	301,129
216,166	12,836	981,142	198,578
398,073	-	398,073	-
-	-	-	400,000
<u>7,925,268</u>	<u>651,775</u>	<u>38,345,022</u>	<u>1,861,362</u>
<u>\$ 10,242,090</u>	<u>\$ (1,105,697)</u>	<u>\$ 82,237,602</u>	<u>\$ 4,338,809</u>
(10,424)	(3,098)	(145,954)	(9,269)
203,730	-	30,000	-
-	98,542	7,705,101	153,994

**CITY OF DENTON, TEXAS
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
AS OF SEPTEMBER 30, 2016**

Exhibit XI

	<u>Agency Fund</u>
ASSETS:	
Cash, cash equivalents and investments, at fair value	\$ 292,764
Total assets	<u>\$ 292,764</u>
LIABILITIES:	
Accounts payable	292,764
Total liabilities	<u>\$ 292,764</u>

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

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denton is a municipal corporation governed by an elected seven-member council consisting of a mayor elected at large and six councilpersons, four representing specific geographical districts and two elected at large. The City receives funding from state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity," as defined in pronouncements by the Governmental Accounting Standards Board (GASB), as council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City have been prepared to conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to state and local governments. Generally accepted accounting principles for local governments include principles prescribed by GASB, the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting entity

An elected seven-member council consisting of a mayor and six councilpersons govern the City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The City had no component units, discretely presented or blended, at September 30, 2016.

B. Government-wide and fund financial statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund 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 governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined)

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The City's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. 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 statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund-level 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax, franchise fees, sales tax and other taxes associated with the current fiscal period are all susceptible to accrual and so have been recognized as revenues of the current fiscal period. All of the other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

The debt service fund accounts for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt, paid primarily by taxes levied by the City. On a budgetary-basis, the debt service fund also accounts for pass-through debt service payments from the self-supporting proprietary funds.

The capital projects fund accounts for financial resources used for the acquisition or construction of capital other than those recorded in the enterprise funds and internal service funds.

Other governmental funds are a summarization of all of the non-major governmental funds.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
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The City reports the following major proprietary funds:

The City utility system is made up of three separate funds as follows:

The electric fund accounts for electrical utility services to the residents and commercial establishments of the City. 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 water fund accounts for water utility services to the residents and commercial establishments of the City. 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 wastewater fund accounts for sewer and storm water services to the residents and commercial establishments of the City. 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 provides additional services through the following funds:

The solid waste fund accounts for the provision of solid waste services to the residents of the City. 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 fund accounts for the airport services to the public and is funded through operational and gas well revenues. 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 additionally reports the following funds:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

Agency funds are used to account for the payment of developers' escrow funds and other similar liabilities. The City holds the assets in an agency capacity for individuals, private organizations or other governments.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water, wastewater, solid waste, and airport funds are charges to customers for services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City recognizes, as an asset or a liability, the difference between the electric fund's energy cost adjustment (ECA) revenue collected and related costs.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary information

The City Council follows these procedures, as prescribed by City Charter, in establishing the budgets reflected in the financial statements:

1. Within the time period required by law, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

2. Public hearings are conducted prior to the adoption of the budget in order to obtain taxpayer comments.
3. The annual budget adopted by the City Council covers the general fund, non-major special revenue funds (Recreation Fund, Police Confiscation Fund, Tourist and Convention Fund, Gas Well Revenues Fund, Street Improvement Fund, and the Citizens' Park Trusts), the debt service fund, the enterprise funds, and internal service funds. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The basic financial statements reflect the legal level of control, (i.e. the level at which expenditures cannot legally exceed the appropriated amount) which is established at the total fund level as approved by City Council.
4. The City Charter provides that the City Manager may transfer any part of the unencumbered appropriation balance or the entire balance thereof between programs or general classifications of expenditures within an office, department, agency or organizational unit. (The City Council defines an organizational unit as set forth in Article VIII, Section 8.07 of the City Charter, to be a fund that has been appropriated by the City Council.) City Council approval is not required up to the fund level. The Charter also provides that at any time during the year, at the request of the City Manager, City Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another, as well as make any increases in fund appropriations.

Budgets are adopted on a basis for the governmental funds and the budgeted special revenue funds that is generally consistent with generally accepted accounting principles. Budgets for enterprise funds are prepared on the full accrual basis, except certain noncash transactions such as depreciation expense and amortization on debt issuance costs where it is not budgeted, and debt service payments where it is budgeted. Also, during the budgetary process, amounts are included in all fund budgets to recognize administrative transfers between funds for goods or services. These amounts are not included in the reporting of actual activity for the funds. For funds reporting required budget-to-actual comparisons, these administrative transfers are included as adjustments – budgetary basis.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders and contracts). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget, reducing the available appropriations for additional expenditures.

E. Assets, liabilities and net position or equity

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value, except for the position in local government investment pools. The City's investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy operating in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Fair value is determined as the price at which two willing parties would complete an exchange.

The City uses a pooled cash and investment fund to hold and account for all of the City's investments. For financial reporting purposes, the investment balances in the pooled fund are allocated back to the individual funds based on their respective share of the pooled total. Interest earned on investments is also allocated back and recorded directly to the individual funds on a monthly basis.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

2. Receivables

Outstanding balances between funds are reported as “interfund receivables/payables.” Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as “internal balances.”

Trade and property tax receivables are shown net of an allowance for uncollectible accounts. The City accrues amounts for utility services provided in September, but not billed at September 30, 2016.

3. Inventories

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. Cost is determined using a moving average method. No inventories exist in the governmental fund types.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. During the recent fiscal years the City prepaid certain contractual obligations to the Texas Municipal Power Agency (TMPA) relating to the cost of TMPA providing energy to the City. The benefit from the prepayment is being amortized over the benefit period of 15 years, of which 8.5 years is remaining.

5. Restricted assets

Certain proceeds of the City’s governmental and proprietary fund general obligation bonds and certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets collected from impact fees are limited by state statute in use and also shown as restricted on the balance sheet of the Water and Wastewater funds.

6. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition costs at the time received.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities and enterprise funds is included as part of the capitalized value of the assets constructed. For 2016, net interest capitalization of \$3,367,199 was recorded for electric fund projects, \$402,972 for water fund projects, \$724,035 for wastewater fund projects, \$169,577 for solid waste fund projects, and \$70,956 for airport fund projects.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	20 – 40
General improvements	10
Machinery and equipment	10 – 20
Furniture and office equipment	10
Computer equipment/software	3 – 10
Plant and equipment	5
Underground pipe	40
Water storage rights	50 – 100
Water recreation rights	50
Communication equipment	5
Vehicles	3 – 10

Renewals and betterments of property and equipment are capitalized, whereas normal repair and maintenance are charged to expense as incurred.

7. Compensated absences

The City allows full-time employees to accumulate unused vacation up to 320 hours (480 for Civil Service Fire employees.) Upon termination, any accumulated vacation time will be paid to an employee. Generally, sick leave is not paid upon termination except for civil service fire fighters and police officers. Firefighters and police officers accumulate unused sick leave up to a maximum of 1080 hours and 720 hours, respectively. All other employees are paid only upon illness while employed by the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds' employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds.

8. Arbitrage

Arbitrage involves the investment of the proceeds from the sale of tax-exempt bonds in taxable instruments and securities authorized by the Public Funds Investment Act (Texas Government Code, Chapter 2256) that yield a higher rate, resulting in interest revenue in excess of interest costs. Federal tax code requires that these excess earnings be rebated to the federal government. The Capital Projects Fund has been used in prior years to liquidate governmental funds' related liability.

9. Pensions

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

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

10. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

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

11. Fund equity

The City follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and in accordance with the statement, the classifications of governmental fund balances are presented as follows:

Nonspendable fund balances – includes amounts not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, creditors, grantors, and contributors or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by the City Council through an ordinance and may only be changed or lifted through another ordinance. The ordinance must either adopt or rescind the commitment, 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.

Assigned fund balance - comprises amounts intended to be used for specific purposes. Intent can be expressed by the City Council, or per the policy adopted by an ordinance by the City Council, the City Manager or the City Manager's designee (assistant city manager) may also make an assignment. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed and, at a minimum, is intended for the purpose of that fund.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not constrained in the other classifications. Unassigned amounts are technically available for any purpose.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

12. Minimum fund balance policy

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

13. Net position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

14. Deferred outflows and inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position applying to a future period and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred charges on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension actuarial losses reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension contributions reported in the statement of net position – A deferred charge is recorded for pension contribution amounts paid by the City after the current year’s measurement date (December 2015) and will be fully recognized in the next period on the next measurement date (December 2016).
- Deferred pension actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position applying to a future period and will not be recognized as an inflow of resources, or revenues, until that time. The City has two types of items qualifying for reporting in this category:

- Deferred pension excess earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred unavailable revenues reported on the balance sheet of the governmental funds – A deferred amount is recorded for the billed revenues not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

F. 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/expenditures during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states, “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
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principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments exceeded proceeds.” The details of this (\$8,119,579) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation debt	\$(27,635,000)
Issuance of certificates of obligation	(7,190,000)
Issuance of capital lease debt	(150,155)
Principal repayments:	
General obligation debt principal retirement	8,030,477
Certificates of obligation principal retirement	5,260,000
Refunded debt principal	13,465,000
Lease obligations principal retirement	<u>100,099</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (8,119,579)</u></u>

Another element of that reconciliation states, “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.” The details of this (\$2,030,459) difference are as follows:

Net effect of transactions involving asset retirements/disposals	\$(5,294,655)
Capital assets transferred to business-type activities as capital contributions	(301,808)
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources	<u>3,566,004</u>
Net adjustment to increase net changes in fund balances - total governmental funds	<u><u>\$(2,030,459)</u></u>

Another element of that reconciliation states, “Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of the (\$3,424,554) difference are as follows:

Compensated absences	\$ (247,205)
Municipal pension obligation	(16,483,887)
Municipal pension deferred actuarial losses	14,776,061
Municipal pension deferred contributions	554,204
Municipal pension deferred assumption changes	1,924,607
Municipal pension deferred excess earnings	(2,436,497)
Other post employment benefits	(1,469,591)
Accrued interest	<u>(42,246)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$(3,424,554)</u></u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit fund equity

The Community Development Block Grant Fund and the Criminal Justice fund had deficit fund balances of (\$219,290) and (\$23,048) at September 30, 2016, respectively. The deficits were a result of reimbursement timing and clear in fiscal year 2016-2017. The Engineering Services internal service fund had a deficit net position of (\$634,211) due to the implementation of GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*" which resulted in a significant increase in the municipal pension obligation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

In order to facilitate effective cash management practices, the operating cash of all funds is pooled into a common account for the purpose of increasing income through combined investment activities. At year-end, the City had \$69,701,415 in cash and cash equivalents of which \$292,764 is included in the agency funds and \$13,379 in petty cash.

The Public Funds Investment Act (Texas Government Code) authorizes the City to invest in obligations of the U.S. Treasury, U.S. agencies, fully collateralized repurchase agreements, public fund investment pools, SEC-registered no-load money market mutual funds, municipal securities of any state rated A or better, certificates of deposit (fully collateralized, insured, and standby letters of credit backed), and commercial paper rated not less than A-1 or P-1 with a stated maturity of no more than 270 days. The City's investment policy may further restrict those investment options. The investments reported on September 30, 2016 were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2016, the City's investments carried a fair value of \$536,579,823, of which \$69,700,000 is in a local governmental investment pool the City classifies in the financial statements as cash equivalents.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

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

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

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

At September 30, 2016, the City had the following recurring fair value investments:

	9/30/2016	Fair Value Measurement Method		Percent of Total Investments	Weighted Average Maturity (Days)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
<u>Investments Measured at Amortized Cost:</u>					
TexSTAR - Investment Pool	69,700,000			12.99%	1
Certificates of Deposit	162,000,000			30.19%	359
<u>Investments by Fair Value Level:</u>					
Debt Securities:					
U.S. Treasury Securities - Coupon	29,070,258	29,070,258	-	5.42%	401
U.S. Agency Securities - Coupon	200,529,936	86,355,242	114,174,694	37.37%	386
U.S. Agency Securities - Callable	14,964,995	-	14,964,995	2.79%	883
Commercial Paper	24,931,675	-	24,931,675	4.65%	124
Municipal Bonds - Coupon	35,382,959	-	35,382,959	6.59%	541
Total Investments	<u>536,579,823</u>	<u>115,425,500</u>	<u>189,454,323</u>		
Portfolio Weighted Average Maturity					341

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than eighteen months.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the State of Texas (including agencies, municipalities, counties, and other political subdivisions) with a rating not less than AA, Certificates of Deposits (fully insured, collateralized, or standby letter of credit backed), and commercial paper that has a maturity of 270 days or less and a minimum rating of A-1 or P-1. The City's investments in the bonds of U.S. agencies were rated AA+ by Standard & Poor's, and the City's investment in TexSTAR were rated "AAAm" by Standard & Poor's.

Custodial credit risk. This is the risk that in the event of a bank or counterparty failure, the City's deposits may not be returned. The policy states that all bank deposits of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by FDIC. As of September 30, 2016, the bank balance for deposits was \$3,395,268 and was fully collateralized by the City's third party custodian, BNY Mellon.

Concentration of Credit Risk. The City's investment policy minimizes the risk of potential loss by diversifying investment types according to the following policy limitations based on value: U.S. Treasury bills/notes/bonds (100%), U.S. Agencies and Instrumentalities (100%), State of Texas Obligations – including agencies and local governments (15%), local government investment pools (50%), repurchase agreements (20%), certificates of deposit (35%), U.S. Money Market Mutual Funds (35%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (5%).

TexSTAR. The Texas Short Term Asset Reserve Program (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code (PFIA). TEXSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. J.P. Morgan Investment Management Inc. (JPMIM) and Hilltop Securities Inc. (HTS) serve as co-administrators. JPMIM provides investment management services, and FirstSouthwest, a division of HTS, provides participant service and marketing. Custodial, fund accounting, and depository services are provided

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc.

TexSTAR states all investments at amortized cost value. The investment pool has a redemption notice of one day or same day, which may be redeemed daily. As the redemption period is only one day or less, the City classifies these balances in the financials as cash equivalent. TexSTAR may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or a national state of emergency affecting the pool's liquidity. The City has no unfunded commitments related to the investment pool.

Cash, cash equivalents and investments, at fair value are reported together on the financial statements. Investments, at fair value, by fund were as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>
Unrestricted investments	\$ 21,061,908	\$ 4,194,974	\$135,383,968	\$ 15,727,280
Change in fair value	11,815	2,353	75,947	8,823
Restricted investments	-	-	-	-
Change in fair value	-	-	-	-
Total	<u>\$ 21,073,723</u>	<u>\$ 4,197,327</u>	<u>\$135,459,915</u>	<u>\$ 15,736,103</u>

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>
Unrestricted investments	\$ 69,501,342	\$38,337,750	\$ 30,862,100	\$ 6,972,683
Change in fair value	38,989	21,507	17,313	3,912
Restricted investments	57,025,129	24,733,727	15,780,411	25,633,852
Change in fair value	31,990	13,875	8,852	14,380
Total	<u>\$126,597,450</u>	<u>\$63,106,859</u>	<u>\$ 46,668,676</u>	<u>\$ 32,624,827</u>

	<u>Airport</u>	<u>Internal Service Funds</u>	<u>Total City Investments</u>
Unrestricted investments	\$ 2,658,604	\$18,401,304	\$343,101,913
Change in fair value	1,491	10,323	192,473
Restricted investments	343,029	-	123,516,148
Change in fair value	192	-	69,289
Total	<u>\$ 3,003,316</u>	<u>\$18,411,627</u>	<u>\$466,879,823</u>

B. Property tax revenue

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time; therefore, the legally enforceable claim arises on October 1st. A receivable is recorded at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

Property taxes at the fund level are recorded as receivables and revenue in the period they become available. Current-year revenues recognized are those Ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, which is sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred inflows of resources for future collections.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Current tax collections for the year ended September 30, 2016 were 99.39% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2016, the City had a tax rate of \$0.68975 per \$100 valuation. Based upon the maximum Ad valorem tax of \$2.50 per \$100 valuation imposed by Texas Constitutional law, the City had a tax rate margin of \$1.81025. Additional revenues up to \$153,204,114 could be raised per year based on the current year's certified assessed value of \$8,463,146,760 before the limit is reached.

On December 7, 2010, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #1) for the purpose of dedicating the increase in tax revenues generated within the TIRZ district for development in the downtown area of the City for a total of 30 years. The tax increment to be paid is 100% of the increment in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2016, the total assessed value of \$127,204,599 after supplemental adjustments for TIRZ #1 was an increase of \$47,847,745 over the base fiscal year 2011 assessed value and resulted in \$330,030 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds.

On December 18, 2012, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #2) for the purpose of dedicating 40% of the increase in tax revenues generated within the TIRZ district for development in the Westpark Industrial District for a total of 25 years. In fiscal year 2016, the assessed value of \$120,538 after supplemental adjustments was an increase of \$1,080 over the base fiscal year 2014 assessed value and resulted in \$4 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds. Denton County participates in the zone and based on their tax rate and a participation contribution of 40% of the County's tax rate, \$1 of property tax revenue was generated for Fiscal Year 2016.

The City created the Rayzor Ranch Public Improvement District No. 1 in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City's northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated costs of the proposed public improvements total \$40 million. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the costs of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

C. Receivables

Receivables at September 30, 2016 for the City's individual major funds and other funds (non-major funds, internal service funds and fiduciary funds), including the applicable allowances for uncollectible accounts, are as follows:

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Electric
Receivables:					
Taxes	\$ 6,844,234	\$ 442,936	\$ -	\$ -	\$ -
Accounts	135,441	-	-	49,445	10,209,142
Accrued interest	113,512	22,609	729,648	84,760	681,911
Unbilled utility service	-	-	-	-	9,369,331
Other	8,076,284	-	-	508,526	986,328
Gross receivables	<u>15,169,471</u>	<u>465,545</u>	<u>729,648</u>	<u>642,731</u>	<u>21,246,712</u>
Less: Allowance for uncollectibles	<u>(5,051,005)</u>	<u>(181,006)</u>	<u>-</u>	<u>(29,395)</u>	<u>(1,168,575)</u>
Net total receivables	<u>\$10,118,466</u>	<u>\$ 284,539</u>	<u>\$ 729,648</u>	<u>\$ 613,336</u>	<u>\$ 20,078,137</u>

	Water	Wastewater	Solid Waste	Airport	Internal Service Funds	Total
Receivables:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,287,170
Accounts	1,849,411	1,545,987	1,599,613	17,169	953	15,407,161
Accrued interest	339,922	251,378	175,732	16,177	99,173	2,514,822
Unbilled utility service	1,910,171	1,545,108	1,535,229	-	-	14,359,839
Other	-	-	-	150,250	67,304	9,788,692
Gross receivables	<u>4,099,504</u>	<u>3,342,473</u>	<u>3,310,574</u>	<u>183,596</u>	<u>167,430</u>	<u>49,357,684</u>
Less: Allowance for uncollectibles	<u>(211,690)</u>	<u>(176,959)</u>	<u>(183,098)</u>	<u>-</u>	<u>-</u>	<u>(7,001,728)</u>
Net total receivables	<u>\$ 3,887,814</u>	<u>\$ 3,165,514</u>	<u>\$ 3,127,476</u>	<u>\$ 183,596</u>	<u>\$ 167,430</u>	<u>\$ 42,355,956</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

D. Capital assets

Capital asset balances and transactions for the year ended September 30, 2016 are summarized below and on the following page.

	<u>Balance at</u> <u>October 1, 2015</u>	<u>Increases</u>	<u>Transfers and</u> <u>Decreases</u>	<u>Balance at</u> <u>September 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,867,021	\$ 576,657	\$ 67,360	\$ 16,511,038
Construction in progress	<u>49,861,039</u>	<u>25,138,273</u>	<u>(19,044,496)</u>	<u>55,954,816</u>
Total capital assets not being depreciated	<u>65,728,060</u>	<u>25,714,930</u>	<u>(18,977,136)</u>	<u>72,465,854</u>
Capital assets being depreciated:				
Buildings	60,796,431	-	(598,250)	60,198,181
Infrastructure	237,189,442	10,535,168	-	247,724,610
Machinery, equipment, and other improvements	<u>90,171,390</u>	<u>8,244,674</u>	<u>(2,312,642)</u>	<u>96,103,422</u>
Total capital assets being depreciated	<u>388,157,263</u>	<u>18,779,842</u>	<u>(2,910,892)</u>	<u>404,026,213</u>
Less accumulated depreciation for:				
Buildings	24,006,704	1,540,624	(530,890)	25,016,438
Infrastructure	145,424,311	8,135,348	-	153,559,659
Machinery, equipment, and other improvements	<u>55,899,608</u>	<u>7,084,804</u>	<u>(2,158,972)</u>	<u>60,825,440</u>
Total accumulated depreciation	<u>225,330,623</u>	<u>16,760,776</u>	<u>(2,689,862)</u>	<u>239,401,537</u>
Total capital assets, being depreciated, net	<u>162,826,640</u>	<u>2,019,066</u>	<u>(221,030)</u>	<u>164,624,676</u>
Governmental activities capital assets, net	<u>\$ 228,554,700</u>	<u>\$ 27,733,996</u>	<u>\$ (19,198,166)</u>	<u>\$ 237,090,530</u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

(continued)

	Balance at October 1, 2015	Increases	Transfers and Decreases	Balance at September 30, 2016
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 23,675,272	\$ 3,571,011	\$ (64,551)	\$ 27,181,732
Construction in progress	213,381,830	98,500,051	(74,927,102)	236,954,779
Total capital assets not being depreciated	237,057,102	102,071,062	(74,991,653)	264,136,511
Capital assets being depreciated:				
Buildings	19,256,768	148,854	405,433	19,811,055
Landfill improvements	24,030,913	1,702,844	-	25,733,757
Water rights	69,883,098	-	-	69,883,098
Infrastructure	447,121,806	36,620,737	(699,556)	483,042,987
Plant, machinery, equipment, and other improvements	332,124,922	39,508,938	(5,587,963)	366,045,897
Total capital assets being depreciated	892,417,507	77,981,373	(5,882,086)	964,516,794
Less accumulated depreciation for:				
Buildings	6,459,930	562,323	349,537	7,371,790
Landfill improvements	17,455,697	2,941,571	-	20,397,268
Water rights	18,354,513	697,894	-	19,052,407
Infrastructure	132,717,410	11,125,188	(427,851)	143,414,747
Plant, machinery, equipment, and other improvements	161,904,971	14,109,780	(5,431,321)	170,583,430
Total accumulated depreciation	336,892,521	29,436,756	(5,509,635)	360,819,642
Total capital assets, being depreciated, net	555,524,986	48,544,617	(372,451)	603,697,152
Business-type activities capital assets, net	\$ 792,582,088	\$ 150,615,679	\$ (75,364,104)	\$ 867,833,663

Transfers and decreases include \$405,433 (\$349,537 in related accumulated depreciation) from Water Infrastructure to Buildings, \$31,428 (\$526 in related accumulated depreciation) from Solid Waste Infrastructure to Equipment, \$100,000 (\$1,458 in related accumulated depreciation) transferred from Governmental Activities to Business-Type Equipment, and \$108,946 (\$101,660 in related accumulated depreciation) transferred from Business-Type Equipment to Governmental Activities.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Depreciation expense was charged to activities of funds/functions/programs as follows:

Governmental activities:	
General government	\$ 2,313,727
Public Safety	2,197,768
Public Works	7,944,929
Parks & Recreation	1,812,380
Capital assets held by the internal service funds are charged to the various functions based upon usage	<u>2,491,972</u>
Total depreciation expense - governmental activities	<u>\$ 16,760,776</u>
Business-type activities:	
Electric	\$ 8,786,722
Water	6,892,484
Wastewater	6,681,249
Solid Waste	6,459,581
Airport	<u>616,720</u>
Total depreciation expense - business-type activities	<u>\$ 29,436,756</u>

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2016. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent-to-Date	Remaining Commitment
Denton Energy Center	\$ 196,570	\$ 199,816,232
Locust Substation Reconstruction	7,429,840	3,655,200
Bonnie Brae Widening - Phase 1 Engineering	5,167,988	2,828,850
North Lakes Substation Expansion	9,272,303	2,419,687
Arco Substation Reconstruction	14,710,871	1,311,329
Mayhill Widening - Phase 1 Engineering	4,703,176	1,216,063
Facilities Management HVAC-Flooring-Roofs	38,761	777,967
Woodrow Substation Upgrade	2,034,087	764,788
FM 2181 Widening - Water Utilities	683,975	746,779
Eagle Drive Reconstruction	1,532,904	700,719

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

E. Interfund receivables, payables and transfers

A summary of interfund receivables and payables (in thousands) at September 30, 2016, is as follows:

	Interfund Receivables:						
	Governmental Major Funds	Business-Type Major Funds					Total
	General Fund	Non-Major Governmental Funds	Electric	Water	Wastewater		
Interfund Payables: Non-Major Governmental Funds		\$ 343	\$ -	\$ -	\$ -	\$ -	
Internal Service Funds	330	-	3,303	515	252	4,400	
Total	\$ 673	\$ -	\$ 3,303	\$ 515	\$ 252	\$ 4,743	

The more significant interfund receivables and payables include the following:

<u>Interfund receivables</u>	<u>Interfund payables</u>	<u>Amount</u>
Electric fund	Internal service funds-materials management	\$ 3,303,307
Water fund	Internal service funds-materials management	515,357
General fund	Internal service funds-materials management	329,646
Wastewater fund	Internal service funds-materials management	251,690
General fund	Non-Major Governmental Funds	342,656

The outstanding balances between the Electric, Water, Wastewater, and General Fund related to the Materials Management Fund are a result of the cash position in the Materials Management Fund due to inventory purchases. The outstanding balance between the General Fund and the Non-Major Governmental Funds is due to reimbursement timing from outside sources.

Transfers between funds (in thousands) during the year were as follows:

	Transfers Out:								
	Governmental Major Funds	Business-Type Major Funds						Internal Service Funds	Total
	General Fund	Non-Major Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Solid Waste	Airport Fund		
Transfers In: Governmental Major Funds:	\$ -	\$ 127	\$ -	\$ -	\$ 361	\$ -	\$ -	\$ -	
Debt Service Fund	3,853	2,398	-	-	-	-	-	387	6,638
Capital Projects Fund	99	25	597	164	104	-	50	-	1,039
Non-Major Governmental Funds	30	54	-	-	-	767	-	-	851
Electric Fund	-	-	-	-	46	-	-	-	46
Water Fund	-	7	-	130	-	235	-	-	372
Wastewater Fund	-	-	1,205	-	-	-	-	-	1,205
Solid Waste Fund	\$ 3,982	\$ 2,611	\$ 1,802	\$ 294	\$ 511	\$ 1,002	\$ 50	\$ 387	\$10,639
Total									

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

The more significant transfers include the following:

<u>Transfers from fund</u>	<u>Transfers to fund</u>	<u>Amount</u>
General Fund	Capital Projects	\$3,853,366
Non-Major Gov't – Street Improvements	Capital Projects	1,532,315
Electric	Solid Waste	1,205,455
Business-type Major Funds	Non-Major Gov't – Street Improvements	864,752
Solid Waste	Electric	766,725
Internal Service Funds	Capital Projects	387,300
Wastewater	Debt Service	361,037

Transfers from the General Fund, from the Non-Major Governmental fund – Street Improvements, and from the Internal Service Funds to the Capital Projects Fund were to fund capital projects and vehicle replacements. Transfers from the Business-type Major Funds (Electric, Water, and Wastewater) to the Non-Major Governmental fund – Street Improvements were for bond savings costs related to the issue of certificates of obligation rather than revenue bonds. The savings fund street maintenance operations in the Street Improvements Fund. Transfers between the Electric Fund and the Solid Waste Fund were related to the transfer of land and building assets. Transfers from the Wastewater Fund to the Debt Service Fund were for related drainage debt service payments.

F. Leases

Leases payable represent the remaining principal amounts payable under lease purchase agreements for the acquisition of equipment through the General Fund and Tech Services funds. These leases are recorded as capital leases. Remaining requirements, including interest, under these leases are as follows:

<u>Year</u>	<u>Payments</u>
2017	\$ 910,270
2018	505,054
2019	4,172
Total minimum lease payments	<u>\$ 1,419,496</u>
Less: amount representing interest	<u>46,266</u>
Present value of minimum future lease payments	<u><u>\$ 1,373,230</u></u>

The following schedule provides an analysis of the City's investments in equipment under capital lease arrangements as of September 30, 2016:

Equipment	\$ 10,543,377
Less: Accumulated Depreciation	<u>(9,100,013)</u>
Total	<u><u>\$ 1,443,364</u></u>

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

G. Long-term debt

Long-term liabilities transactions for the year ended September 30, 2016 are summarized as follows below and on the following pages:

	Balance at October 1, 2015	Increases	Decreases	Balance at September 30, 2016	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 95,019,058	\$ 27,635,000	\$ 12,792,884	\$ 109,861,174	\$ 8,841,338
Certificates of obligation	41,590,000	7,190,000	14,215,000	34,565,000	5,365,000
Obligations under capital leases	2,079,226	150,155	856,151	1,373,230	875,168
Compensated absences payable	11,157,528	6,104,355	5,792,749	11,469,134	5,238,269
Claims payable	4,722,979	20,858,912	21,510,487	4,071,404	2,037,458
Municipal pension obligation	53,272,590	21,861,151	3,571,090	71,562,651	-
Other post employment benefits	3,733,735	2,063,671	395,502	5,401,904	-
Unamortized premium/(discounts)	6,039,853	4,317,834	1,106,908	9,250,779	1,290,887
Total governmental long-term liabilities	<u>\$ 217,614,969</u>	<u>\$ 90,181,078</u>	<u>\$ 60,240,771</u>	<u>\$ 247,555,276</u>	<u>\$ 23,648,120</u>
	Balance at October 1, 2015	Increases	Decreases	Balance at September 30, 2016	Due Within One Year
Business-type Activities:					
Revenue bonds	\$ 63,340,000	\$ -	\$ 63,340,000	\$ -	\$ -
General obligation bonds	108,585,942	39,720,000	7,242,116	141,063,826	12,263,662
Certificates of obligation	359,375,000	76,115,000	19,025,000	416,465,000	19,560,000
Compensated absences payable	2,777,869	2,479,083	2,250,072	3,006,880	2,491,525
Municipal pension obligation	26,838,071	11,105,223	2,881,266	35,062,028	-
Other post employment benefits	1,965,089	1,216,162	235,020	2,946,231	-
Landfill closure/post-closure	6,813,786	398,073	-	7,211,859	-
Unamortized premium/(discounts)	27,564,106	15,234,899	4,284,364	38,514,641	5,219,972
Total business-type activities	<u>597,259,863</u>	<u>146,268,440</u>	<u>99,257,838</u>	<u>644,270,465</u>	<u>39,535,159</u>
Total long-term liabilities	<u>\$ 814,874,832</u>	<u>\$ 236,449,518</u>	<u>\$ 159,498,609</u>	<u>\$ 891,825,741</u>	<u>\$ 63,183,279</u>

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and municipal pension obligations balances and payments are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance internal service fund, with the retiree subsidy amounts paid predominantly by the General Fund. Claims payable represents an estimate of self-insured claims liability outstanding in the Health Insurance and Risk Retention internal service funds.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

General bonded debt - General bonded debt at September 30, 2016, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2016
General obligation	4.0 to 5.0	2007	2026	\$ 15,925,000	\$ 740,000
General obligation	4.0 to 5.25	2007	2022	26,025,000	14,455,000
General obligation refunding	4.0 to 4.75	2008	2028	7,300,000	670,000
General obligation	3.0 to 5.0	2009	2016	6,695,000	-
General obligation refunding	3.8 to 4.3	2010	2030	4,115,000	3,255,000
General obligation	2.0 to 4.75	2011	2031	2,225,000	1,840,000
General obligation refunding	2.0 to 5.0	2012	2032	14,358,739	11,511,580
General obligation refunding	2.0 to 4.0	2013	2033	10,221,023	9,029,594
General obligation refunding	2.0 to 3.5	2014	2034	7,165,000	5,340,000
General obligation refunding	3.0 to 5.0	2015	2035	36,110,000	35,385,000
General obligation refunding	3.0 to 5.0	2016	2036	27,635,000	27,635,000
Total general obligation bonds				157,774,762	109,861,174
Certificates of obligation	4.5 to 5.0	2007	2027	\$ 8,855,000	\$ 530,000
Certificates of obligation	4.0 to 5.0	2007A	2028	7,065,000	315,000
Certificates of obligation	3.0 to 4.625	2008	2028	7,865,000	900,000
Certificates of obligation	2.0 to 5.0	2010	2030	2,790,000	805,000
Certificates of obligation	2.0 to 5.0	2011	2031	3,455,000	990,000
Certificates of obligation	2.0 to 5.0	2012	2032	4,490,000	1,780,000
Certificates of obligation	3.0 to 4.0	2013	2033	10,805,000	8,085,000
Certificates of obligation	2.0 to 5.0	2014	2039	8,635,000	7,300,000
Certificates of obligation	2.0 to 5.0	2015	2034	7,420,000	6,670,000
Certificates of obligation	3.0 to 5.0	2016	2036	7,190,000	7,190,000
Total certificates of obligation				68,570,000	34,565,000
Total general bonded debt				\$ 226,344,762	\$ 144,426,174

[These amounts do not include net unamortized premiums/ (discounts) of \$9,250,779 nor net deferred gain/ (loss) on refunding of (\$2,332,357).]

Proceeds of general obligation bonded debt are restricted to the uses for which they were approved in the bond elections or, in the case of a refunding issuance, to the uses for which the certificates of obligation were originally issued. The City Charter expressly prohibits the use of bond proceeds to fund operating expenses. The general obligations are collateralized by the full faith and credit of the City and, primarily, payable from property taxes.

In prior years, the City defeased general obligation bonds and certificates of obligation by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased debt are not included in the City's financial statements. On September 30, 2016 \$14,315,000 of general obligation bonds and \$10,415,000 of certificates of obligation considered defeased are still outstanding.

In June 2016, the City issued \$83,305,000 (\$76,115,000 of which is included as part of business type activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements

CITY OF DENTON, TEXAS
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SEPTEMBER 30, 2016

in the Capital Projects Fund (\$7,190,000), Electric (\$53,210,000), Water (\$6,520,000), Wastewater (\$3,385,000), and Solid Waste (\$13,000,000).

In June 2016, the City issued \$28,930,000 (\$1,295,000 of which is included as part of business-type activities) of general obligation refunding and improvement bonds. The refunding portion of the bonds' reacquisition price exceeded the net carrying amount of the old debt by \$764,162 (\$70,336 of which is reported as a loss in business-type activities'). This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over 13 years by \$2,134,487 and resulted in a net present value savings of \$1,842,442. The improvement portion of the bonds was issued to pay the costs of various capital improvements in the Capital Projects Fund for \$15,590,000.

In September 2016, the City issued \$38,425,000 (all of which is included as part of business-type activities) of general obligation refunding bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$3,005,584 all of which is reported in business-type activities. This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over 14 years by \$13,522,240 and resulted in a net present value savings of \$6,256,072, net of \$6,158,864 of existing debt service funds applied toward the refunding.

Business-type revenue bonds – There were no outstanding revenue bond debt balances at September 30, 2016. All revenue bond debt was defeased through either principal payments or the issuance of general obligation refunding bonds.

In prior years, the City defeased revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2016, \$57,955,000 of revenue bonds considered defeased are still outstanding.

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
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Business-type general obligation bonds and certificates of obligation – General obligation bonds and certificates of obligation issued for electric, water, wastewater, solid waste, and airport funds at September 30, 2016, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2016
General obligation refunding	4.0 to 5.25	2007	2022	\$ 2,245,000	\$ 2,020,000
General obligation refunding	3.0 to 5.0	2010	2022	35,815,000	19,980,000
General obligation refunding	2.0 to 4.75	2011	2031	8,620,000	2,655,000
General obligation refunding	2.0 to 5.0	2012	2032	19,231,261	15,663,420
General obligation refunding	2.0 to 4.0	2013	2033	513,977	450,406
General obligation refunding	3.0 to 5.0	2014A	2039	27,155,000	25,605,000
General obligation refunding	3.0 to 5.0	2015	2035	1,530,000	1,530,000
General obligation refunding	4.0 to 5.0	2015A	2026	33,945,000	33,440,000
General obligation refunding	3.0 to 5.0	2016	2028	1,295,000	1,295,000
General obligation refunding	3.0 to 5.0	2016A	2030	38,425,000	38,425,000
Total general obligation bonds				168,775,238	141,063,826
Certificates of obligation	4.5 to 5.0	2007	2027	2,590,000	65,000
Certificates of obligation	4.0 to 5.0	2008	2028	2,820,000	90,000
Certificates of obligation	2.0 to 5.0	2010	2030	58,295,000	42,750,000
Certificates of obligation	2.0 to 5.0	2010	2025	58,820,000	40,110,000
Certificates of obligation	2.0 to 5.0	2011	2031	28,645,000	20,190,000
Certificates of obligation	2.0 to 5.0	2012	2032	40,185,000	31,655,000
Certificates of obligation	3.0 to 4.0	2013	2033	52,715,000	45,540,000
Certificates of obligation	2.0 to 5.0	2014	2039	80,545,000	76,490,000
Certificates of obligation	2.0 to 5.0	2015	2034	85,595,000	83,460,000
Certificates of obligation	3.0 to 5.0	2016	2046	76,115,000	76,115,000
Total certificates of obligation				486,325,000	416,465,000
Total business-type G.O./C.O. bonds				\$ 655,100,238	\$ 557,528,826

[These amounts do not include net unamortized premiums/ (discounts) of \$38,514,641 nor net deferred gain/ (loss) on refunding of (\$5,393,894.)]

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Schedule of long-term debt maturities

Aggregate maturities of the long-term debt (principal and interest) for the years subsequent to September 30, 2016 are shown below:

Governmental Activities:

Fiscal Year	General Obligation		Certificates of Obligation		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 8,841,338	\$ 4,322,906	\$ 5,365,000	\$ 1,434,920	\$ 875,168	\$ 35,102	\$ 15,081,506	\$ 5,792,928
2018	9,114,560	3,952,704	4,175,000	1,185,638	493,890	11,164	13,783,450	5,149,506
2019	8,918,269	3,547,368	3,235,000	1,015,763	4,172	-	12,157,441	4,563,131
2020	8,556,312	3,142,096	2,960,000	868,425	-	-	11,516,312	4,010,521
2021	8,614,378	2,754,452	2,270,000	744,300	-	-	10,884,378	3,498,752
2022-2026	34,101,317	8,905,465	6,915,000	2,596,250	-	-	41,016,317	11,501,715
2027-2031	19,325,000	3,752,796	5,700,000	1,309,441	-	-	25,025,000	5,062,237
2032-2036	12,390,000	931,232	3,945,000	255,453	-	-	16,335,000	1,186,685
Total	<u>\$ 109,861,174</u>	<u>\$ 31,309,019</u>	<u>\$ 34,565,000</u>	<u>\$ 9,410,190</u>	<u>\$ 1,373,230</u>	<u>\$ 46,266</u>	<u>\$ 145,799,404</u>	<u>\$ 40,765,475</u>

Business-Type Activities:

Fiscal Year	General Obligation		Certificates of Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 12,263,662	\$ 6,001,924	\$ 19,560,000	\$ 17,637,099	\$ 31,823,662	\$ 23,639,023
2018	16,495,440	5,548,690	19,640,000	16,324,357	36,135,440	21,873,047
2019	19,166,731	4,721,751	19,880,000	15,395,732	39,046,731	20,117,483
2020	20,088,688	3,826,292	20,185,000	14,444,007	40,273,688	18,270,299
2021	17,200,622	2,964,576	19,305,000	13,497,894	36,505,622	16,462,470
2022-2026	45,013,683	6,106,695	96,820,000	54,204,664	141,833,683	60,311,359
2027-2031	10,835,000	619,024	88,765,000	34,642,884	99,600,000	35,261,908
2032-2036	-	-	54,890,000	19,238,956	54,890,000	19,238,956
2037-2041	-	-	39,825,000	11,231,537	39,825,000	11,231,537
2042-2046	-	-	37,595,000	2,960,867	37,595,000	2,960,867
Total	<u>\$ 141,063,826</u>	<u>\$ 29,788,952</u>	<u>\$ 416,465,000</u>	<u>\$ 199,577,997</u>	<u>\$ 557,528,826</u>	<u>\$ 229,366,949</u>

[These amounts do not include net unamortized premiums/ (discounts) of \$47,765,420 nor net deferred gain/ (loss) on refunding of (\$7,726,251).]

Bonds authorized and unissued

General obligation bonds authorized but unissued as of September 30, 2016 amounted to \$70,945,000. When issued, the proceeds will be allocated to the applicable street, public safety, drainage, and parks projects.

H. Landfill closure and post-closure cost

State and federal laws and regulations require the City to place a final cover on its Mayhill Road landfill site upon closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only upon anticipated closure, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on a model created by a 2009 engineering study, total landfill closure and post-closure cost increased from \$16,314,785 at September 30, 2015 to \$16,706,340 at September 30, 2016. The \$7,211,859 reported as landfill closure and post-closure care liability is a \$398,073 increase from the \$6,813,786 liability reported on September 30, 2015. This liability represents the cumulative amount incurred to date based on the use of 43.2% of the estimated capacity of the entire landfill at September 30, 2016.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill is \$9,494,481. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2016. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 33 years, and the City expects to close the landfill in fiscal year 2049.

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The solid waste fund has provided for a reservation and designation of cash and investments of \$7,378,027 at September 30, 2016, and anticipates increasing the reserve in future periods as the closure and post-closure activities are carried out.

V. OTHER INFORMATION

A. Pension plans

Texas Municipal Retirement Plan

Plan description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly-available comprehensive annual financial report (CAFR) obtainable at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

Benefits provided

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

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

At the inception of the plan, the city granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are a percent (200%) of the employee's accumulated contributions. In addition, the City grants on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming the current member deposit rate of the City (7%) has always been in effect. The computation also assumes the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, and increased by the city match currently in effect (200%). The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. The plan provisions also include an annually repeating basis cost of living adjustments for retirees equal to 70% of the change in the consumer price index.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	498
Inactive employees entitled to but not yet receiving benefits	443
Active employees	1,188
Total	2,129

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.76% and 17.23% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$14,435,639 and were equal to the required contributions.

Net pension liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

(EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS's actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount rate

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

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NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 384,408,038	\$ 318,166,193	\$ 66,241,845
Changes for the year:			
Service cost	12,615,957	-	12,615,957
Interest	26,905,700	-	26,905,700
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,525,911)	-	(1,525,911)
Changes of assumptions	(428,789)	-	(428,789)
Contributions - employer	-	13,615,410	(13,615,410)
Contributions - employee	-	5,365,231	(5,365,231)
Net investment income	-	469,530	(469,530)
Benefit payments, including refunds of employee contributions	(12,697,735)	(12,697,735)	-
Administrative expense	-	(285,957)	285,957
Other changes	-	(14,123)	14,123
Net changes	24,869,222	6,452,356	18,416,866
Balance at 12/31/2015	<u>\$ 409,277,260</u>	<u>\$ 324,618,549</u>	<u>\$ 84,658,711</u>

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

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
City's net pension liability	\$ 146,877,886	\$ 84,658,711	\$ 33,910,559

Pension plan fiduciary net position

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$16,873,960. This amount is included as part of personal services expenses.

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At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 19,703,549	\$ -
Contributions subsequent to the measurement date	10,660,116	-
Differences between expected and actual economic experience	-	(1,324,228)
Difference in assumption changes	-	(342,859)
Total	\$ 30,363,665	\$ (1,667,087)

\$10,660,116 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31st	
2016	\$ 4,689,087
2017	4,689,087
2018	4,689,088
2019	3,969,200
2020	-
Total	\$18,036,462

Supplemental death benefit fund

The City of Denton contributes to a cost-sharing multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the TMRS Pension Trust Fund.

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined by an annual actuarial valuation and is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for

CITY OF DENTON, TEXAS
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the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund described above. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for OPEB.

The City's contributions to the TMRS SDBF for the fiscal years ended September 30, 2014, 2015, and 2016, were \$118,782, \$133,686, and \$149,630, respectively, which equaled the required contributions each year.

Denton Firemen's Relief and Retirement Plan

Plan description

The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits provided

Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially-vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if he had remained a Denton firefighter and attained age 50. As of the December 31, 2015 actuarial valuation date, the plan effective January 1, 2011 provided a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the member will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

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Employees covered by benefit terms

In the December 31, 2015 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive employees or beneficiaries currently receiving benefits	84
Inactive employees entitled to but not yet receiving benefits	2
Active employees	176
Total	262

Contributions

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The funding policy of the Denton Firemen’s Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City currently contributes according to a City ordinance the same percentage of payroll the City contributes to the Texas Municipal Retirement System for other employees each calendar year. The City contribution rate was 17.94% in calendar year 2015 and 17.41% in calendar year 2016. The December 31, 2015 actuarial valuation includes the assumption that the city contribution rate will average 15.5% over the UAAL amortization period. The costs of administering the plan are paid from the Fund assets. The City’s contributions to the Fund for the year ended September 30, 2016 were \$2,819,046.

Ultimately, the funding policy also depends upon the total return of the Fund’s assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects investments and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the calendar year ending December 31, 2015, the money-weighted rate of return on pension plan investments was -4.62%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan’s normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan’s unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan’s UAAL is actuarially determined using an open, level percentage of payroll method.

Net pension liability

The City of Denton’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

Actuarial assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 5.00%) and by adding expected inflation (2.50%). In addition, the final 6.75% assumption was selected by “rounding down” and thereby reflects a reduction of 0.75% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Equities		
Large Cap Domestic	40.0%	5.90%
Small/Mid Cap Domestic	10.0%	6.40%
International Developed	10.0%	6.40%
Alternatives		
Master Limited Partnerships	8.0%	7.90%
Real Estate	15.0%	4.40%
Fixed Income	10.0%	0.90%
Cash	7.0%	0.00%
Total	<u>100.0%</u>	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2015 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 32 years. Because of the 32-year amortization period of the UAAL, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 84,887,334	\$ 71,018,518	\$ 13,868,816
Changes for the year:			
Service cost	2,836,263	-	2,836,263
Interest	5,998,959	-	5,998,959
Change of benefit terms	-	-	-
Difference between expected and actual experience	(2,063,421)	-	(2,063,421)
Changes of assumptions	2,331,908	-	2,331,908
Contributions - employer	-	2,567,219	(2,567,219)
Contributions - employee	-	1,803,064	(1,803,064)
Net investment income	-	(3,287,188)	3,287,188
Benefit payments, including refunds of employee contributions	(4,048,358)	(4,048,358)	-
Administrative expense	-	(76,538)	76,538
Other changes	-	-	-
Net changes	5,055,351	(3,041,801)	8,097,152
Balance at 12/31/2015	<u>\$ 89,942,685</u>	<u>\$ 67,976,717</u>	<u>\$ 21,965,968</u>

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

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
City's net pension liability	\$ 33,465,927	\$ 21,965,968	\$ 12,286,613

Pension plan fiduciary net position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

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

For the year ended September 30, 2016, the City recognized pension expense of \$3,858,602. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. This amount is included as part of personal services expenses.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 6,760,431	\$ -
Contributions subsequent to the measurement date	2,098,808	-
Differences between expected and actual economic experience	-	(1,852,437)
Difference in assumption changes	2,093,472	-
Total	\$ 10,952,711	\$ (1,852,437)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,098,808 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 and the City's fiscal year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31st	
2016	\$ 1,729,791
2017	1,729,791
2018	1,729,791
2019	1,680,866
2020	27,452
Thereafter	103,775
Total	\$ 7,001,466

B. Post-employment benefits other than pensions (OPEB)

The cost of post-employment healthcare benefits, from an accrual accounting perspective, similar to the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. According to the requirements of GASB Statement No. 45 for the fiscal year ended September 30, 2016, the City recognizes the cost of post-employment healthcare in the year the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period commencing with the fiscal year ending September 30, 2008.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Plan description

The City provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits provided

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

Funding policy

The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree's contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes \$40 per month for each five-year increment of service, up to \$200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Annual OPEB costs and Net OPEB obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2016:

Annual required contribution	\$ 3,438,549
Interest on prior year net OPEB obligation	227,953
Adjustment to annual required contribution	<u>(386,669)</u>
Annual OPEB cost	3,279,833
Contributions made	<u>(630,522)</u>
Increase in net OPEB obligation	2,649,311
Net OPEB obligation - beginning of year	<u>5,698,824</u>
Net OPEB obligation - end of year	<u><u>\$ 8,348,135</u></u>
Percentage of OPEB costs contributed	19.2%

Funded status and funding progress

The funded status of the plan as of the actuarial measurement date of December 31, 2015 was as follows:

Actuarial accrued liability	\$ 25,361,327
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u><u>\$ 25,361,327</u></u>
Funded ratio	0.0%
Covered payroll	\$ 98,668,427
Unfunded actuarial accrued liability as a percentage of covered payroll	25.7%

Three-Year Trend Information for OPEB Funding

Year ending	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Annual OPEB costs	\$ 3,279,833	\$ 1,716,639	\$ 1,735,204
Actual contributions	\$ 630,522	\$ 671,072	\$ 909,288
Percent contributed	19.2%	39.1%	52.4%
Net OPEB obligation	\$ 8,348,135	\$ 5,698,824	\$ 4,653,257

The schedule of funding progress, presented as "Required Supplementary Information" (Exhibit XIII) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial methods and assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The Projected Unit Credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant method and assumptions used for this fiscal year valuation as shown on the following page were as follows:

Actuarial Assumptions

	12/31/15
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Amortization period	22 years, closed
Asset valuation method	N/A
Investment rate of return	4.0%, net of expenses
Inflation rate	2.5%
Payroll growth	N/A
Healthcare inflation rate	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years

Medical reimbursements

The federal government may provide the city subsidy per the Medicare Part D Prescription Drug Subsidy Program for providing healthcare for Medicare eligible employees. As the City does not participate in these subsidies, any current and future year subsidies are not recognized as a reduction to the actuarial accrued liability.

C. Deferred compensation plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the calendar 2015 year, the plan, available to all permanent City employees, permitted them to defer, until future years, up to \$18,000. Employees who are age 50 or older may contribute an amount not to exceed \$24,000. Employees who are within three years of retirement eligibility may elect to participate in a catch-up provision allowed by Section 457, which has an annual maximum contribution amount of \$36,000. The withdrawal of deferred compensation funds is only available to employees by loan, termination, until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the employees. Accordingly, the assets and associated liability of the plan are not included in the City's financial statements.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

D. Self-insurance plan

The City has established a self-insurance plan for liability and workers' compensation claims in the Risk Retention Fund. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid for each claimant. The provision for claims incurred but not yet reported is estimated based on actuarial studies.

It is the policy of the City of Denton not to purchase commercial insurance for workers' compensation claims or general liability. Commercial liability insurance coverage is purchased for airport operations, emergency medical services, take-home vehicles, and employee theft and dishonesty. Additionally, excess insurance is purchased for general liability, auto liability, public officials, and workers' compensation exposures. The City reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

In January 2008, the City started a self-insured group employee health insurance plan. Claims are paid from the Health Insurance Fund, which has an annually negotiated stop loss provision.

The City's costs associated with the self-insurance plans are interfund transactions. Accordingly, they are treated as operating revenues of the Internal Service Risk Retention Fund and Health Insurance Fund and operating expenditures (expenses) of the other funds and employee payroll deductions.

Claims liabilities are re-evaluated periodically to take into consideration settlement of claims, new claims and other factors. As of September 30, 2016 the estimated value of these liabilities was \$4,071,404. Changes in balances of claims liabilities during fiscal years 2016 and 2015 were as follows:

	Claims Liability Beginning of Fiscal Year	Claims and Change in Estimates	Claims Payments	Claims Liability End of Fiscal Year
Workers' Compensation				
2016	\$ 2,418,984	\$ 51,307	\$ 582,995	\$ 1,887,296
2015	1,957,880	884,664	423,560	2,418,984
General Liability				
2016	\$ 523,794	\$ 577,677	\$ 492,441	\$ 609,030
2015	523,200	279,965	279,371	523,794
Health Insurance				
2016	\$ 1,780,201	\$ 20,229,928	\$ 20,435,051	\$ 1,575,078
2015	1,065,709	23,571,560	22,857,068	1,780,201

On September 30, 2016, the City of Denton held additional amounts in unrestricted net position of \$3,746,577 in the Risk Retention Fund and \$6,027,537 in the Health Insurance Fund for payment of claims. There were no significant reductions in insurance coverage from coverage in the prior year, and the amount of settlements did not exceed insurance coverage in the current year or in any of the past three fiscal years.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

E. Commitments and contingencies

Agreement with TMPA

In 1976, the City, along with the cities of Bryan, Greenville, and Garland, Texas (the Cities) entered into a Power Sales Contract with the Texas Municipal Power Agency (TMPA). TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities for a period of not less than 35 years. The Cities in turn agreed to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at prices intended to cover operating costs and retirement of debt. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each of the cities has guaranteed a portion of the unpaid debt based, generally, upon its pro rata share of the energy delivered to consumers in the prior operating year.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City's contractual portion of TMPA's annual fixed operating costs and debt service payments, which is currently 21.3%.

As of September 30, 2016, total TMPA long-term debt outstanding was approximately \$418,760,000. The City's portion of this debt due to contractual obligations with TMPA is \$46,067,276 over the next two years (\$44,790,705 of principal and \$1,276,571 in related interest payments).

TMPA operates a 462-megawatt, coal-fired generating plant. In 1996, TMPA switched to an external source of coal to reduce costs. Should TMPA be dissolved, each city would be entitled to an undivided interest in the property.

In January 2016, the Board of Directors authorized a request for proposals for the sale of the Gibbons Creek Steam Electric Station (Gibbons Creek) and the 345 kV transmission system located in Grimes, Brazos, and Robertson counties (the Southern 345 kV Transmission System). The Southern 345 kV Transmission System comprises approximately 25% of the TMPA transmission system. Submitted as a joint proposal, TMPA received a proposal from Clean Energy Technology Association, Inc. (CETA) for Gibbons Creek and a proposal from GridLiance Texas Transco, LLC (GridLiance) for the Southern 345 kV Transmission System. While the governing boards of the Member Cities and the TMPA Board of Directors have expressed interest in pursuing these proposed transactions, no definitive agreement has been signed by the parties, and details are still in the process of negotiation and resolution.

In November, 2016, the Board of Directors adopted a resolution which outlined the major components of the proposed transactions. The CETA transaction would involve the sale of Gibbons Creek for a purchase price of \$57.5 million, plus an amount for working capital. In addition, CETA would provide \$35 million in funding for an environmental escrow, and provide a \$25 million letter of credit for environmental purposes. The GridLiance transaction would involve the sale of the Southern 345 kV Transmission System for net book value, plus certain additional amounts as set out in the proposed transaction documents.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (JOA). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract (PSC); (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding \$10 million in value; (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities; (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents; and (v) dividing the operations of TMPA into three business functions (mine,

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

generation, and transmission) and requiring separate budgets and books for each business function. As of September 30, 2016, in accordance with the JOA, funds in the amount of \$1,664,000 that would have been refunded back to the Member Cities prior to the JOA will be used to fund a reserve account.

The PSC provides upon dissolution of TMPA, the assets of TMPA automatically being transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit, and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs. At the request of a majority of the Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA includes a reclamation plan for the mine, requires the development of a decommissioning plan, and sets out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the JOA for these services. A Member City's payment obligations under the JOA are payable exclusively from such electric utility revenues, and constitute an operating expense of its electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended. The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System and to authorize the issuance of refunding bonds in connection with such sales.

Selected financial statement information of TMPA is as follows:

	September 30	
	(Unaudited)	
	2016	2015
	(000s)	(000s)
Operating revenues	\$273,272	\$ 274,578
Operating expenses	112,506	132,171
Operating income	160,766	142,407
Other non-operating sources (uses)	393	1,615
Current unrestricted assets	59,520	59,547
Total assets and deferred outflows	581,325	835,699
Long-term debt – Noncurrent	299,350	497,649
Total liabilities	548,931	801,623
Total net position	32,394	34,076

Financial statements for TMPA are available from the TMPA website www.texasmpa.org.

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

Encumbrances

As discussed in note I.D., Budgetary information, encumbrances are utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	568,652
Capital Projects Fund	11,247,794
Nonmajor Governmental Funds	<u>849,557</u>
Total	<u><u>12,666,003</u></u>

F. Litigation

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered “probable” are accrued, while those claims and judgments considered “reasonably possible” are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings and the item described following, is approximately \$500,000 as of September 30, 2016. Potential losses after insurance coverage on all probable claims and lawsuits, excluding the item following, will not have a material effect on the City's financial position as of September 30, 2016.

G. Subsequent events

The City has evaluated all events or transactions that occurred after September 30, 2016 up through March 2, 2017, the date the financial statements were issued. In January 2017, the City issued \$214,890,000 in revenue bonds to pay for the acquisition and construction of improvements in the City’s Electric fund including new quick start peak power generation facilities. The revenue bonds are collateralized by the revenue of the Denton utility system funds (System).

H. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statements which became effective for the fiscal year 2016.

Statement No. 72 “Fair Value Measurement and Application” – This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures relate to all fair value measurements. The Statement had no financial impact. See note IV. A. for disclosure requirements.

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City’s financial statements.

Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (OPEB) – This Statement replaces the requirements of Statements No. 45 and No. 57 related to OPEB. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions, OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information. This statement changes the focus of OPEB accounting from whether the employer is responsibly funding the OPEB benefits to reporting a

CITY OF DENTON, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)
SEPTEMBER 30, 2016

liability in the financial statements for any unfunded portion of benefits earned to-date, and it will become effective for the City in fiscal year 2018.

Statement No. 77 “Tax Abatement Disclosures” – This Statement requires governments entering into tax abatement agreements to provide certain disclosures regarding these commitments such as descriptions of the agreements, the amounts abated, and any additional commitments by the governments in addition to tax abatements. This Statement will become effective for the City in fiscal year 2017.

**CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)**

Exhibit XII

	<u>Measurement Year 2014</u>	<u>Measurement Year 2015</u>
Total pension liability:		
Service Cost	\$ 10,667,694	\$ 12,615,957
Interest (on the total pension liability)	25,182,941	26,905,700
Changes of benefit terms	-	-
Difference between expected and actual experience	(171,241)	(1,525,911)
Change of assumptions	-	(428,789)
Benefit payments, including refunds of employee contributions	<u>(11,387,617)</u>	<u>(12,697,735)</u>
Net change in total pension liability	24,291,777	24,869,222
Total pension liability - beginning	<u>360,116,261</u>	<u>384,408,038</u>
Total pension liability - ending (a)	<u><u>\$ 384,408,038</u></u>	<u><u>\$ 409,277,260</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 13,065,763	\$ 13,615,410
Contributions - employee	4,991,415	5,365,231
Net investment income	16,867,596	469,530
Benefit payments, including refunds of employee contributions	(11,387,617)	(12,697,735)
Administrative expense	(176,083)	(285,957)
Other	<u>(14,477)</u>	<u>(14,123)</u>
Net change in plan fiduciary net position	23,346,597	6,452,356
Plan fiduciary net position - beginning	<u>294,819,596</u>	<u>318,166,193</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 318,166,193</u></u>	<u><u>\$ 324,618,549</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 66,241,845</u></u>	<u><u>\$ 84,658,711</u></u>
Plan fiduciary net position as a percentage of total pension liability	82.77%	79.32%
Covered employee payroll	\$ 71,025,494	\$ 76,646,157
Net pension liability as a percentage of covered employee payroll	93.26%	110.45%

**CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)**

Exhibit XIII

	Measurement Year <u>2014</u>	Measurement Year <u>2015</u>
Total pension liability:		
Service Cost	\$ 2,747,253	\$ 2,836,263
Interest (on the total pension liability)	5,685,396	5,998,959
Changes of benefit terms	-	-
Difference between expected and actual experience	-	(2,063,421)
Change of assumptions	-	2,331,908
Benefit payments, including refunds of employee contributions	<u>(4,036,009)</u>	<u>(4,048,358)</u>
Net change in total pension liability	4,396,640	5,055,351
Total pension liability - beginning	<u>80,490,694</u>	<u>84,887,334</u>
Total pension liability - ending (a)	<u><u>\$ 84,887,334</u></u>	<u><u>\$ 89,942,685</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 2,566,875	\$ 2,567,219
Contributions - employee	1,745,419	1,803,064
Net investment income	4,411,066	(3,287,188)
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,048,358)
Administrative expense	(81,005)	(76,538)
Other	-	-
Net change in plan fiduciary net position	<u>4,606,346</u>	<u>(3,041,801)</u>
Plan fiduciary net position - beginning	<u>66,412,172</u>	<u>71,018,518</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 71,018,518</u></u>	<u><u>\$ 67,976,717</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 13,868,816</u></u>	<u><u>\$ 21,965,968</u></u>
Plan fiduciary net position as a percentage of total pension liability	83.66%	75.58%
Covered employee payroll	\$ 14,238,486	\$ 14,310,032
Net pension liability as a percentage of covered employee payroll	97.40%	153.50%

**CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)**

Exhibit XIV

Fiscal Year	(a) Actuarially Determined Contributions	(b) Contributions in Relation to the Actuarially Determined Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll (b)/(d)
2007	6,267,597	6,267,597	-	49,917,026	12.56%
2008	7,082,769	7,082,769	-	53,908,360	13.14%
2009	9,709,279	7,952,938	(1,756,341)	57,250,108	13.89%
2010	11,194,086	8,849,577	(2,344,509)	59,457,345	14.88%
2011	11,580,085	9,579,358	(2,000,727)	58,139,688	16.48%
2012	11,475,702	10,435,001	(1,040,701)	60,340,212	17.29%
2013	12,174,640	12,171,482	(3,158)	64,940,234	18.74%
2014	12,912,746	12,911,461	(1,285)	69,872,024	18.48%
2015	13,507,272	13,507,272	-	75,379,632	17.92%
2016	14,435,638	14,435,638	-	83,127,601	17.37%

Notes to Schedule:

Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 12 months and a day later. Contributions above do not include contributions into the supplemental death benefit fund.

Methods and assumptions used to determine contribution rate for 2016:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years (Equivalent Single Amortization Period of 19.0 years)
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)**

Exhibit XV

Fiscal Year	(a) Annual Required Contributions	(b) Contributions in Relation to the Annual Required Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll (b)/(d)
2006	942,237	942,237	-	9,422,370	10.00%
2007	1,193,993	1,193,993	-	10,854,477	11.00%
2008	1,426,906	1,426,906	-	11,890,880	12.00%
2009	1,747,908	1,747,908	-	12,485,061	14.00%
2010	1,976,419	1,976,419	-	13,070,041	15.12%
2011	2,141,662	2,141,662	-	12,828,446	16.69%
2012	2,253,667	2,253,667	-	12,899,800	17.47%
2013	2,579,453	2,579,453	-	13,629,825	18.93%
2014	2,576,652	2,576,652	-	13,828,070	18.63%
2015	2,535,719	2,535,719	-	14,029,051	18.07%
2016	2,819,046	2,819,046	-	15,540,826	18.14%

Notes to Schedule:

Annual required contributions are not actuarially determined. According to a City ordinance, since January 2010 the City contributes to the Firemen's Relief and Retirement Fund at the same percentage of payroll that the City contributes to the Texas Municipal Retirement System for other employees. The rates are calculated as of December 31st and become effective in January, 12 months and a day later.

While the contribution requirements are not actuarially determined, state law requires an actuary certify the assumed City contribution rate is adequate. Methods and assumptions used to contribution adequacy for 2015:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	32 Years
Asset Valuation Method	5-year smoothing
Inflation	2.50%
Salary Increases	3.00% annual general compensation increase plus promotion, step, and longevity increases which average 1.98% per year over a 30-year career
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Retirement Age	Average expected age at retirement of 57
Mortality	RP-2000 Combined Healthy Mortality Tables projected to 2024 by scale AA

CITY OF DENTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS
FUNDING PROGRESS AND CONTRIBUTIONS
LAST THREE VALUATION YEARS (Unaudited)

Exhibit XVI

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Percent
2012	10/1/2011	-	\$ 12,565,747	\$ (12,565,747)	0%
2014	10/1/2013	-	13,715,238	(13,715,238)	0
2016	10/1/2015	-	25,361,327	(25,361,327)	0

Fiscal Year	Covered Payroll	UAAL as Percent of Covered Payroll	Annual Required Contributions	Actual Contributions	Percent Contributed
2012	\$ 71,315,386	17.6%	\$ 1,582,219	\$ 1,481,210	94%
2014	79,692,115	17.2	1,821,243	909,288	50
2016	98,668,427	25.7	3,438,549	630,522	18



CITY OF DENTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit XVII

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes	\$ 18,127,740	\$ 18,127,740	\$ 18,146,617	\$ -	\$ 18,146,617	\$ 18,877
Investment revenue	50,000	50,000	131,516	-	131,516	81,516
Total revenues	<u>18,177,740</u>	<u>18,177,740</u>	<u>18,278,133</u>	<u>-</u>	<u>18,278,133</u>	<u>100,393</u>
EXPENDITURES:						
Debt service:						
Principal, interest and fiscal charges	63,847,681	63,847,681	18,519,572	45,160,909	63,680,481	167,200
Advance refunding escrow	-	-	147,687	(147,687)	-	-
Bond issuance costs	-	-	56,626	(56,626)	-	-
Total expenditures	<u>63,847,681</u>	<u>63,847,681</u>	<u>18,723,885</u>	<u>44,956,596</u>	<u>63,680,481</u>	<u>167,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,669,941)</u>	<u>(45,669,941)</u>	<u>(445,752)</u>	<u>(44,956,596)</u>	<u>(45,402,348)</u>	<u>267,593</u>
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	-	12,045,000	(12,045,000)	-	-
Payment to refunded bond escrow agent	-	-	(14,075,445)	14,075,445	-	-
Premium on debt issuance	-	-	2,089,437	(2,089,437)	-	-
Transfers in	45,669,941	45,669,941	487,912	45,160,909	45,648,821	(21,120)
Total other financing sources (uses)	<u>45,669,941</u>	<u>45,669,941</u>	<u>546,904</u>	<u>45,101,917</u>	<u>45,648,821</u>	<u>(21,120)</u>
Net change in fund balance	-	-	101,152	145,321	246,473	246,473
Fund balance at beginning of year	<u>4,791,880</u>	<u>4,791,880</u>	<u>4,791,880</u>	<u>-</u>	<u>4,791,880</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,791,880</u>	<u>\$ 4,791,880</u>	<u>\$ 4,893,032</u>	<u>\$ 145,321</u>	<u>\$ 5,038,353</u>	<u>\$ 246,473</u>

Adjustments - Budgetary Basis are pass-through debt service payments budgeted as transfers in from enterprise and internal service funds.
Other Financing Sources (Uses) related to refunding are adjusted out as they are non-budgeted items reducing future debt service payments.



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Block Grant (CDBG) – to account for the operations of projects utilizing Community Development Block Grant Funds. Such revenues are restricted to expenditures for specified projects by the Department of Housing and Urban Development.

Recreation – to account for the revenues and expenditures for the recreation programs that are self-supporting. All expenditures will be reimbursed 100%. Various business operations, such as concessions, fall into this account.

Criminal Justice – to account for revenue received from the State of Texas Criminal Justice Division and other grants administered by the police department.

Police Confiscation – to account for revenues received from confiscated goods. Expenditures are restricted to enhancing law enforcement.

Tourist and Convention – to account for taxes received from hotel and motel occupancy for the purpose of promoting tourism.

Street Improvement – to account for street maintenance and improvement activities.

Gas Well Revenues – to account for the receipt of royalty, pooling, tax, and lease revenue related to park gas wells.

Citizens' Park Trusts – to account for several small trust funds that are for park development.

All Other – to account for miscellaneous special revenue sources that are required to finance specific activities.

CITY OF DENTON, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF SEPTEMBER 30, 2016

	Special Revenue Funds			
	Community Development Block Grant	Recreation	Criminal Justice	Police Confiscation
ASSETS				
Cash, cash equivalents and investments, at fair value	\$ -	\$ 526,174	\$ -	\$ 482,974
Receivables (net of allowances):				
Accrued interest	-	2,464	-	2,264
Other	-	20,050	-	-
Due from other governments	425,814	-	23,048	-
Total assets	\$ 425,814	\$ 548,688	\$ 23,048	\$ 485,238
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 92,548	\$ 40,868	\$ -	\$ -
Interfund payables	319,608	-	23,048	-
Unearned revenues	-	-	-	-
Total liabilities	412,156	40,868	23,048	-
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - intergovernmental	232,948	9,685	23,048	-
Total deferred inflows of revenues	232,948	9,685	23,048	-
FUND BALANCES (DEFICIT):				
Restricted for:				
Parks and recreation	-	-	-	-
Other grants and purposes	-	-	-	485,238
Committed to:				
Streets	-	-	-	-
Parks and recreation	-	498,135	-	-
Other purposes	-	-	-	-
Assigned to:				
Other purposes	-	-	-	-
Unassigned	(219,290)	-	(23,048)	-
Total fund balance (deficit)	(219,290)	498,135	(23,048)	485,238
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 425,814	\$ 548,688	\$ 23,048	\$ 485,238

Special Revenue Funds (continued)					Total
Tourist and Convention	Street Improvement	Gas Well Revenues	Citizens' Park Trusts	All Other	Nonmajor Governmental Funds
\$ 1,758,443	\$ 2,877,709	\$ 88,355	\$ 5,436,622	\$ 6,915,015	\$ 18,085,292
8,242	13,487	414	25,481	32,408	84,760
191,546	-	16,819	-	300,161	528,576
-	-	-	-	403,894	852,756
<u>\$ 1,958,231</u>	<u>\$ 2,891,196</u>	<u>\$ 105,588</u>	<u>\$ 5,462,103</u>	<u>\$ 7,651,478</u>	<u>\$ 19,551,384</u>
\$ 33	\$ 1,091,402	\$ -	\$ -	\$ 883,394	\$ 2,108,245
-	-	-	-	-	342,656
-	-	-	-	37,397	37,397
<u>33</u>	<u>1,092,572</u>	<u>-</u>	<u>-</u>	<u>920,791</u>	<u>2,489,468</u>
-	-	-	-	252,173	517,854
-	-	-	-	252,173	517,854
-	-	105,573	5,462,103	27,179	5,594,855
1,958,198	-	-	-	875,794	3,319,230
-	1,798,624	-	-	-	1,798,624
-	-	15	-	-	498,150
-	-	-	-	5,500,983	5,500,983
-	-	-	-	74,558	74,558
-	-	-	-	-	(242,338)
<u>1,958,198</u>	<u>1,798,624</u>	<u>105,588</u>	<u>5,462,103</u>	<u>6,478,514</u>	<u>16,544,062</u>
<u>\$ 1,958,231</u>	<u>\$ 2,891,196</u>	<u>\$ 105,588</u>	<u>\$ 5,462,103</u>	<u>\$ 7,651,478</u>	<u>\$ 19,551,384</u>

CITY OF DENTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds			
	Community Development Block Grant	Recreation	Criminal Justice	Police Confiscation
REVENUES:				
Tax revenue	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-
Fines and forfeitures	-	-	-	133,391
Fees for services	-	2,043,957	-	-
Investment revenue	-	5,805	-	3,350
Intergovernmental	1,343,187	-	79,339	-
Miscellaneous	91,531	60	-	2,362
Total revenues	<u>1,434,718</u>	<u>2,049,822</u>	<u>79,339</u>	<u>139,103</u>
EXPENDITURES:				
General government	1,646,594	-	-	-
Public safety	-	-	28,530	69,177
Public works	-	-	-	-
Parks and recreation	-	1,848,055	-	-
Capital outlay	-	6,127	-	8,038
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,646,594</u>	<u>1,854,182</u>	<u>28,530</u>	<u>77,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(211,876)</u>	<u>195,640</u>	<u>50,809</u>	<u>61,888</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(25,000)	(210,974)	-	-
Total other financing sources (uses)	<u>(25,000)</u>	<u>(210,974)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(236,876)</u>	<u>(15,334)</u>	<u>50,809</u>	<u>61,888</u>
Fund balance (deficit) at beginning of year	<u>17,586</u>	<u>513,469</u>	<u>(73,857)</u>	<u>423,350</u>
Fund balance (deficit) at end of year	<u>\$ (219,290)</u>	<u>\$ 498,135</u>	<u>\$ (23,048)</u>	<u>\$ 485,238</u>

Special Revenue Funds (continued)					Total
Tourist and Convention	Street Improvement	Gas Well Revenues	Citizens' Park Trusts	All Other	Nonmajor Governmental Funds
\$ 2,243,264	\$ -	\$ -	\$ -	\$ 580,033	\$ 2,823,297
-	9,412,249	-	-	-	9,412,249
-	-	-	-	2,531,971	2,665,362
-	246,515	99,308	606,706	498,338	3,494,824
14,625	20,534	1,047	40,308	26,220	111,889
-	-	-	-	1,027,313	2,449,839
624	162,683	-	-	528,347	785,607
<u>2,258,513</u>	<u>9,841,981</u>	<u>100,355</u>	<u>647,014</u>	<u>5,192,222</u>	<u>21,743,067</u>
1,948,425	-	-	-	538,572	4,133,591
-	-	-	-	2,922,184	3,019,891
-	8,578,645	-	-	-	8,578,645
-	-	-	4,220	187,006	2,039,281
-	-	-	599,120	297,711	910,996
-	54,219	-	-	-	54,219
-	4,278	-	-	-	4,278
<u>1,948,425</u>	<u>8,637,142</u>	<u>-</u>	<u>603,340</u>	<u>3,945,473</u>	<u>18,740,901</u>
<u>310,088</u>	<u>1,204,839</u>	<u>100,355</u>	<u>43,674</u>	<u>1,246,749</u>	<u>3,002,166</u>
-	864,752	-	-	173,511	1,038,263
<u>(197,875)</u>	<u>(1,659,190)</u>	<u>(150,000)</u>	<u>-</u>	<u>(367,926)</u>	<u>(2,610,965)</u>
<u>(197,875)</u>	<u>(794,438)</u>	<u>(150,000)</u>	<u>-</u>	<u>(194,415)</u>	<u>(1,572,702)</u>
112,213	410,401	(49,645)	43,674	1,052,334	1,429,464
1,845,985	1,388,223	155,233	5,418,429	5,426,180	15,114,598
<u>\$ 1,958,198</u>	<u>\$ 1,798,624</u>	<u>\$ 105,588</u>	<u>\$ 5,462,103</u>	<u>\$ 6,478,514</u>	<u>\$ 16,544,062</u>

CITY OF DENTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: RECREATION FUND
FOR YEAR ENDED SEPTEMBER 30, 2016

Exhibit XX

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Fees for services	\$ 2,039,123	\$ 2,039,123	\$ 2,043,957	\$ -	\$ 2,043,957	\$ 4,834
Investment revenue	15,000	15,000	5,805	-	5,805	(9,195)
Miscellaneous	-	-	60	-	60	60
Total revenues	<u>2,054,123</u>	<u>2,054,123</u>	<u>2,049,822</u>	<u>-</u>	<u>2,049,822</u>	<u>(4,301)</u>
EXPENDITURES:						
Parks and recreation	1,961,187	1,885,596	1,848,055	(157,938)	1,690,117	195,479
Capital outlay	-	-	6,127	-	6,127	(6,127)
Total expenditures	<u>1,961,187</u>	<u>1,885,596</u>	<u>1,854,182</u>	<u>(157,938)</u>	<u>1,696,244</u>	<u>189,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>92,936</u>	<u>168,527</u>	<u>195,640</u>	<u>157,938</u>	<u>353,578</u>	<u>185,051</u>
OTHER FINANCING USES:						
SOURCES (USES):						
Transfers out	<u>(242,936)</u>	<u>(318,527)</u>	<u>(210,974)</u>	<u>(157,938)</u>	<u>(368,912)</u>	<u>(50,385)</u>
Total other financing uses	<u>(242,936)</u>	<u>(318,527)</u>	<u>(210,974)</u>	<u>(157,938)</u>	<u>(368,912)</u>	<u>(50,385)</u>
Net change in fund balance	(150,000)	(150,000)	(15,334)	-	(15,334)	134,666
Fund balance at beginning of year	513,469	513,469	513,469	-	513,469	-
Fund balance at end of year	<u>\$ 363,469</u>	<u>\$ 363,469</u>	<u>\$ 498,135</u>	<u>\$ -</u>	<u>\$ 498,135</u>	<u>\$ 134,666</u>

Adjustments - Budgetary Basis are expenditures allocated from and reimbursed to other funds. These expenditures are recorded as operating expenditures but budgeted as cost of service transfers.

CITY OF DENTON, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 SPECIAL REVENUE FUNDS: POLICE CONFISCATION FUND
 FOR YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXI

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 133,391	\$ -	\$ 133,391	\$ 33,391
Investment revenue	-	-	3,350	-	3,350	3,350
Miscellaneous	30,000	30,000	2,362	-	2,362	(27,638)
Total revenues	130,000	130,000	139,103	-	139,103	9,103
EXPENDITURES:						
Public safety	183,500	183,500	69,177	-	69,177	114,323
Capital outlay	-	-	8,038	-	8,038	(8,038)
Total expenditures	183,500	183,500	77,215	-	77,215	106,285
Net change in fund balance	(53,500)	(53,500)	61,888	-	61,888	115,388
Fund balance at beginning of year	423,350	423,350	423,350	-	423,350	-
Fund balance at end of year	\$ 369,850	\$ 369,850	\$ 485,238	\$ -	\$ 485,238	\$ 115,388

CITY OF DENTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: TOURIST AND CONVENTION FUND
FOR YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXII

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes	\$ 2,145,064	\$ 2,145,064	\$ 2,243,264	\$ -	\$ 2,243,264	\$ 98,200
Investment revenue	-	-	14,625	-	14,625	14,625
Miscellaneous	-	-	624	-	624	624
Total revenues	<u>2,145,064</u>	<u>2,145,064</u>	<u>2,258,513</u>	<u>-</u>	<u>2,258,513</u>	<u>113,449</u>
EXPENDITURES:						
General government	<u>2,167,494</u>	<u>1,989,619</u>	<u>1,948,425</u>	<u>-</u>	<u>1,948,425</u>	<u>41,194</u>
Total expenditures	<u>2,167,494</u>	<u>1,989,619</u>	<u>1,948,425</u>	<u>-</u>	<u>1,948,425</u>	<u>41,194</u>
Excess (deficit) of revenues over (under) expenditures	<u>(22,430)</u>	<u>155,445</u>	<u>310,088</u>	<u>-</u>	<u>310,088</u>	<u>154,643</u>
OTHER FINANCING SOURCES (USES):						
Transfers out	<u>-</u>	<u>(177,875)</u>	<u>(197,875)</u>	<u>-</u>	<u>(197,875)</u>	<u>(20,000)</u>
Total other financing uses	<u>-</u>	<u>(177,875)</u>	<u>(197,875)</u>	<u>-</u>	<u>(197,875)</u>	<u>(20,000)</u>
Net change in fund balance	(22,430)	(22,430)	112,213	-	112,213	134,643
Fund balance at beginning of year	<u>1,845,985</u>	<u>1,845,985</u>	<u>1,845,985</u>	<u>-</u>	<u>1,845,985</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,823,555</u>	<u>\$ 1,823,555</u>	<u>\$ 1,958,198</u>	<u>\$ -</u>	<u>\$ 1,958,198</u>	<u>\$ 134,643</u>

CITY OF DENTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: STREET IMPROVEMENT FUND
FOR YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXIII

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Franchise fees	\$ 9,965,248	\$ 9,965,248	\$ 9,412,249	\$ -	\$ 9,412,249	\$ (552,999)
Fees for services	350,000	350,000	246,515	-	246,515	(103,485)
Investment revenue	10,000	10,000	20,534	-	20,534	10,534
Miscellaneous	-	-	162,683	-	162,683	162,683
Total revenues	<u>10,325,248</u>	<u>10,325,248</u>	<u>9,841,981</u>	<u>-</u>	<u>9,841,981</u>	<u>(483,267)</u>
EXPENDITURES:						
Public Works	10,576,440	9,155,788	8,578,645	(93,778)	8,484,867	670,921
Debt service:						
Principal retirement	59,165	59,165	54,219	-	54,219	4,946
Interest and other charges	-	-	4,278	-	4,278	(4,278)
Total expenditures	<u>10,635,605</u>	<u>9,214,953</u>	<u>8,637,142</u>	<u>(93,778)</u>	<u>8,543,364</u>	<u>671,589</u>
Excess (deficit) of revenues over (under) expenditures	<u>(310,357)</u>	<u>1,110,295</u>	<u>1,204,839</u>	<u>93,778</u>	<u>1,298,617</u>	<u>188,322</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	790,175	790,175	864,752	-	864,752	74,577
Transfers out	(479,818)	(1,900,470)	(1,659,190)	(93,778)	(1,752,968)	147,502
Total other financing uses	<u>310,357</u>	<u>(1,110,295)</u>	<u>(794,438)</u>	<u>(93,778)</u>	<u>(888,216)</u>	<u>222,079</u>
Net change in fund balance	-	-	410,401	-	410,401	410,401
Fund balance at beginning of year	1,388,223	1,388,223	1,388,223	-	1,388,223	-
Fund balance at end of year	<u>\$ 1,388,223</u>	<u>\$ 1,388,223</u>	<u>\$ 1,798,624</u>	<u>\$ -</u>	<u>\$ 1,798,624</u>	<u>\$ 410,401</u>

Adjustments - Budgetary Basis are expenditures allocated from and reimbursed to other funds. These expenditures are recorded as operating expenditures but budgeted as cost of service transfers.

CITY OF DENTON, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 SPECIAL REVENUE FUNDS: GAS WELL REVENUES FUND
 FOR YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXIV

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Fees for service	\$ 150,000	\$ 150,000	\$ 99,308	\$ -	\$ 99,308	\$ (50,692)
Investment revenue	100	100	1,047	-	1,047	947
Total revenues	<u>150,100</u>	<u>150,100</u>	<u>100,355</u>	<u>-</u>	<u>100,355</u>	<u>(49,745)</u>
OTHER FINANCING USES:						
Transfers out	(150,000)	(150,000)	(150,000)	-	(150,000)	-
Total other financing uses	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balance	100	100	(49,645)	-	(49,645)	(49,745)
Fund balance at beginning of year	155,233	155,233	155,233	-	155,233	-
Fund balance at end of year	<u>\$ 155,333</u>	<u>\$ 155,333</u>	<u>\$ 105,588</u>	<u>\$ -</u>	<u>\$ 105,588</u>	<u>\$ (49,745)</u>

CITY OF DENTON, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 SPECIAL REVENUE FUNDS: CITIZENS' PARK TRUSTS
 FOR YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXV

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Fees for service	\$ 300,000	\$ 300,000	\$ 606,706	\$ -	\$ 606,706	\$ 306,706
Investment revenue	23,000	23,000	40,308	-	40,308	17,308
Total revenues	<u>323,000</u>	<u>323,000</u>	<u>647,014</u>	<u>-</u>	<u>647,014</u>	<u>324,014</u>
EXPENDITURES:						
Parks and recreation	-	-	4,220	-	4,220	(4,220)
Capital outlay	2,400,000	2,400,000	599,120	-	599,120	1,800,880
Total expenditures	<u>2,400,000</u>	<u>2,400,000</u>	<u>603,340</u>	<u>-</u>	<u>603,340</u>	<u>1,796,660</u>
Net change in fund balance	(2,077,000)	(2,077,000)	43,674	-	43,674	2,120,674
Fund balance at beginning of year	5,418,429	5,418,429	5,418,429	-	5,418,429	-
Fund balance at end of year	<u>\$ 3,341,429</u>	<u>\$ 3,341,429</u>	<u>\$ 5,462,103</u>	<u>\$ -</u>	<u>\$ 5,462,103</u>	<u>\$ 2,120,674</u>



INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by one department for another.

The City has six Internal Service Funds as follows:

Materials Management Fund – to account for the financing of goods and services provided by the Materials Management operations of purchasing and warehouse to other City departments. Purchasing is responsible for procuring goods and services for City departments, and the warehouse maintains an inventory of materials and supplies used by City departments. Warehouse items are billed to other departments at cost of parts plus 8 percent. Actual costs include depreciation on machinery and equipment used to provide the service.

Fleet Services Fund – to account for the financing of goods and services provided by the Municipal Garage and Machine Shop to other City departments. Municipal Garage and Machine Shop billings include cost of parts plus 25 percent and labor charges. Actual costs include depreciation on the building, improvements, machinery, and equipment used to provide the service.

Health Insurance Fund – to account for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, dental insurance, and vision insurance.

Risk Retention Fund – to account for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City operations.

Technology Services Fund – to account for the accumulation of resources to provide computer services such as programming, support, training, maintenance, and office services to City departments.

Engineering Services Fund – to account for providing engineering, real estate, public works inspection, and development review services primarily to internal City departments although some services are provided to external entities.

CITY OF DENTON, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AS OF SEPTEMBER 30, 2016

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	\$ 32,478	\$ 1,374,316	\$ 7,450,176	\$ 6,791,390
Receivables, net of allowances:				
Accrued interest	-	6,441	34,918	31,830
Other	-	68,257	-	-
Merchandise inventory	6,312,290	87,626	-	-
Total current assets	6,344,768	1,536,640	7,485,094	6,823,220
Noncurrent assets:				
Escrow deposit	-	-	169,000	-
Capital assets, net of accumulated depreciation	742,914	4,225,403	-	-
Total noncurrent assets	742,914	4,225,403	169,000	-
Total assets	7,087,682	5,762,043	7,654,094	6,823,220
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	27,647	11,916	-	-
Deferred pension actuarial losses	221,419	278,977	-	141,296
Deferred pension contributions	120,102	150,967	-	76,394
Total deferred outflows of resources	369,168	441,860	-	217,690
LIABILITIES:				
Current liabilities:				
Accounts payable	564,241	879,465	51,479	74,765
Claims payable	-	-	1,575,078	462,380
Compensated absences payable	63,197	95,949	-	43,312
Leases payable	-	-	-	-
Accrued interest	1,493	3,769	-	-
Interfund payables	4,400,000	-	-	-
Certificate and general obligation bonds	42,285	206,108	-	-
Total current liabilities	5,071,216	1,185,291	1,626,557	580,457
Noncurrent liabilities:				
Leases payable	-	-	-	-
Payable from restricted assets:				
General obligation bonds payable	272,932	476,730	-	-
Compensated absences payable	1,740	29,629	-	19,352
Claims payable	-	-	-	2,033,946
Municipal pension obligation	953,807	1,198,928	-	606,695
Other post employment benefits	87,795	130,730	-	41,932
Total noncurrent liabilities:	1,316,274	1,836,017	-	2,701,925
Total liabilities	6,387,490	3,021,308	1,626,557	3,282,382
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension excess earnings	18,755	23,607	-	11,951
Total deferred inflows of resources	18,755	23,607	-	11,951
NET POSITION:				
Net investment in capital assets	455,344	3,554,481	-	-
Unrestricted	595,261	(395,493)	6,027,537	3,746,577
Total net position	\$ 1,050,605	\$ 3,158,988	\$ 6,027,537	\$ 3,746,577

Exhibit XXVI

Technology Services Fund	Engineering Services Fund	Total Internal Service Funds
\$ 4,351,729	\$ 1,192,197	\$ 21,192,286
20,396	5,588	99,173
-	-	68,257
-	-	6,399,916
<u>4,467,039</u>	<u>1,197,785</u>	<u>27,854,546</u>
-	-	169,000
4,212,549	82,147	9,263,013
<u>4,212,549</u>	<u>82,147</u>	<u>9,432,013</u>
<u>8,679,588</u>	<u>1,279,932</u>	<u>37,286,559</u>
-	-	39,563
673,883	520,137	1,835,712
366,154	281,166	994,783
<u>1,040,037</u>	<u>801,303</u>	<u>2,870,058</u>
326,450	74,353	1,970,753
-	-	2,037,458
187,100	170,094	559,652
768,799	-	768,799
200	-	5,462
-	-	4,400,000
15,152	-	263,545
<u>1,297,701</u>	<u>244,447</u>	<u>10,005,669</u>
443,839	-	443,839
20,146	-	769,808
16,731	19,309	86,761
-	-	2,033,946
2,907,861	2,232,915	7,900,206
181,399	174,785	616,641
<u>3,569,976</u>	<u>2,427,009</u>	<u>11,851,201</u>
<u>4,867,677</u>	<u>2,671,456</u>	<u>21,856,870</u>
57,129	43,990	155,432
<u>57,129</u>	<u>43,990</u>	<u>155,432</u>
2,964,613	82,147	7,056,585
1,830,206	(716,358)	11,087,730
<u>\$ 4,794,819</u>	<u>\$ (634,211)</u>	<u>\$ 18,144,315</u>

**CITY OF DENTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Materials Management Fund</u>	<u>Fleet Services Fund</u>	<u>Health Insurance Fund</u>
OPERATING REVENUES:			
Charges for goods and services	\$ 12,862,923	\$ 9,347,350	\$ 25,713,940
Miscellaneous	135,374	3,699	1,332,775
Total operating revenues	<u>12,998,297</u>	<u>9,351,049</u>	<u>27,046,715</u>
OPERATING EXPENSES:			
Operating expenses before depreciation	12,702,435	8,956,110	25,178,197
Depreciation	14,574	181,413	-
Total operating expenses	<u>12,717,009</u>	<u>9,137,523</u>	<u>25,178,197</u>
Operating income (loss)	<u>281,288</u>	<u>213,526</u>	<u>1,868,518</u>
NONOPERATING REVENUES (EXPENSES):			
Investment revenue	-	4,280	33,999
Interest expense and fiscal charges	(14,892)	(33,000)	-
Loss on disposal of capital assets	-	36,529	-
Total non-operating revenues (expenses)	<u>(14,892)</u>	<u>7,809</u>	<u>33,999</u>
Income (loss) before contributions and transfers	<u>266,396</u>	<u>221,335</u>	<u>1,902,517</u>
Capital contributions	-	82,142	-
Transfers out	-	(75,000)	-
Change in net position	<u>266,396</u>	<u>228,477</u>	<u>1,902,517</u>
Net position at beginning of year	<u>784,209</u>	<u>2,930,511</u>	<u>4,125,020</u>
Total net position at end of year	<u>\$ 1,050,605</u>	<u>\$ 3,158,988</u>	<u>\$ 6,027,537</u>

Exhibit XXVII

<u>Risk Retention Fund</u>	<u>Technology Services Fund</u>	<u>Engineering Services Fund</u>	<u>Total Internal Service Funds</u>
\$ 3,012,706	\$ 10,985,599	\$ 4,285,358	\$ 66,207,876
56,376	46,058	-	1,574,282
<u>3,069,082</u>	<u>11,031,657</u>	<u>4,285,358</u>	<u>67,782,158</u>
2,811,578	8,932,378	4,232,041	62,812,739
-	2,269,949	26,036	2,491,972
<u>2,811,578</u>	<u>11,202,327</u>	<u>4,258,077</u>	<u>65,304,711</u>
257,504	(170,670)	27,281	2,477,447
47,665	22,228	10,438	118,610
-	(51,568)	-	(99,460)
-	-	-	36,529
<u>47,665</u>	<u>(29,340)</u>	<u>10,438</u>	<u>55,679</u>
305,169	(200,010)	37,719	2,533,126
-	71,852	49,272	203,266
-	-	(312,300)	(387,300)
<u>305,169</u>	<u>(128,158)</u>	<u>(225,309)</u>	<u>2,349,092</u>
3,441,408	4,922,977	(408,902)	15,795,223
<u>\$ 3,746,577</u>	<u>\$ 4,794,819</u>	<u>\$ (634,211)</u>	<u>\$ 18,144,315</u>

CITY OF DENTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 12,998,297	\$ 9,342,558	\$ 27,040,715
Cash paid to employees for services	(1,342,952)	(1,710,473)	(153,643)
Cash paid to suppliers	<u>(11,563,214)</u>	<u>(7,106,062)</u>	<u>(25,270,055)</u>
Net cash provided (used) by operations	<u>92,131</u>	<u>526,023</u>	<u>1,617,017</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	-	(75,000)	-
Net cash used by noncapital financing activities	<u>-</u>	<u>(75,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Principal payments on capital debt	(35,702)	(206,706)	-
Interest and fiscal charges	(12,633)	(34,348)	-
Principal payments under capital lease obligation	-	-	-
Proceeds from the sale of fixed assets	-	36,529	-
Acquisition and construction of capital assets	<u>(22,809)</u>	<u>(137,534)</u>	<u>-</u>
Net cash provided (used) by capital financing activities	<u>(71,144)</u>	<u>(342,059)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	-	541,939	1,346,703
Purchase of investment securities	-	(608,980)	(2,633,738)
Interest received on investments	-	2,242	19,348
Net cash provided (used) by investing activities	<u>-</u>	<u>(64,799)</u>	<u>(1,267,687)</u>
Net increase (decrease) in cash and cash equivalents	20,987	44,165	349,330
Cash and cash equivalents at beginning of year	<u>11,491</u>	<u>134,328</u>	<u>618,280</u>
Cash and cash equivalents at end of year	32,478	178,493	967,610
Investments, at fair value	-	1,195,823	6,482,567
Cash, cash equivalents and investments, at fair value	<u>\$ 32,478</u>	<u>\$ 1,374,316</u>	<u>\$ 7,450,177</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	<u>\$ 281,288</u>	<u>\$ 213,526</u>	<u>\$ 1,868,518</u>
Adjustments:			
Depreciation expense	14,574	181,413	-
Decrease (Increase) in receivables	-	(8,491)	-
Decrease (Increase) in inventories	(419,146)	13,632	-
Increase in prepaid items	-	-	-
Increase in escrow deposits items	-	-	(6,000)
Increase (Decrease) in accounts payable	(267,978)	36,115	(245,501)
Increase in compensated absences	12,567	14,726	-
Increase in interfund payables	400,000	-	-
Increase in net municipal pension balances	41,544	36,073	-
Increase in other post employment benefits	<u>29,282</u>	<u>39,029</u>	<u>-</u>
Total adjustments	<u>(189,157)</u>	<u>312,497</u>	<u>(251,501)</u>
Net cash provided (used) by operating activities	<u>\$ 92,131</u>	<u>\$ 526,023</u>	<u>\$ 1,617,017</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Decrease in fair value of investments	-	(608)	(2,248)
Capital asset contributions	-	82,142	-

Exhibit XXVIII

<u>Risk Retention Fund</u>	<u>Technology Services Fund</u>	<u>Engineering Services Fund</u>	<u>Total Internal Service Funds</u>
\$ 3,069,082	\$ 11,032,035	\$ 4,285,358	\$ 67,768,045
(807,071)	(3,890,264)	(3,153,008)	(11,057,411)
<u>(2,457,587)</u>	<u>(4,944,186)</u>	<u>(1,030,721)</u>	<u>(52,371,825)</u>
<u>(195,576)</u>	<u>2,197,585</u>	<u>101,629</u>	<u>4,338,809</u>
-	-	(312,300)	(387,300)
-	-	(312,300)	(387,300)
-	(10,000)	-	(252,408)
-	(51,827)	-	(98,808)
-	(756,052)	-	(756,052)
-	-	-	36,529
-	(980,072)	(7,848)	(1,148,263)
-	<u>(1,797,951)</u>	<u>(7,848)</u>	<u>(2,219,002)</u>
3,841,489	1,542,679	880,652	8,153,462
(3,542,699)	(1,811,316)	(666,016)	(9,262,749)
<u>40,052</u>	<u>15,556</u>	<u>9,734</u>	<u>86,932</u>
<u>338,842</u>	<u>(253,081)</u>	<u>224,370</u>	<u>(1,022,355)</u>
143,266	146,553	5,851	710,152
<u>738,782</u>	<u>418,638</u>	<u>148,989</u>	<u>2,070,508</u>
882,048	565,191	154,840	2,780,660
<u>5,909,342</u>	<u>3,786,538</u>	<u>1,037,357</u>	<u>18,411,627</u>
<u>\$ 6,791,390</u>	<u>\$ 4,351,729</u>	<u>\$ 1,192,197</u>	<u>\$ 21,192,287</u>
\$ 257,504	\$ (170,670)	\$ 27,281	\$ 2,477,447
-	2,269,949	26,036	2,491,972
-	378	-	(8,113)
-	-	-	(405,514)
-	(94,914)	-	(94,914)
-	-	-	(6,000)
(487,172)	(46,669)	(68,972)	(1,080,177)
4,351	20,843	11,914	64,401
-	-	-	400,000
15,175	155,024	53,313	301,129
<u>14,566</u>	<u>63,644</u>	<u>52,057</u>	<u>198,578</u>
<u>(453,080)</u>	<u>2,368,255</u>	<u>74,348</u>	<u>1,861,362</u>
<u>\$ (195,576)</u>	<u>\$ 2,197,585</u>	<u>\$ 101,629</u>	<u>\$ 4,338,809</u>
(3,717)	(1,860)	(836)	(9,269)
-	71,852	49,272	203,266

CITY OF DENTON, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXIX

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016
DEVELOPERS' ESCROW FUND				
ASSETS				
Cash and deposits	\$ 230,504	\$ 157,233	\$ 387,737	\$ -
Accrued interest	804	-	804	-
Total assets	\$ 231,308	\$ 157,233	\$ 388,541	\$ -
LIABILITIES				
Accounts payable	\$ 231,308	\$ 157,233	\$ 388,541	\$ -
Total liabilities	\$ 231,308	\$ 157,233	\$ 388,541	\$ -
OTHER AGENCY FUNDS				
ASSETS				
Cash, cash equivalents and investments, at fair value	\$ 413,153	\$ 1,833,765	\$ 1,954,154	\$ 292,764
Other assets	76,978	86,109	163,087	-
Total assets	\$ 490,131	\$ 1,919,874	\$ 2,117,241	\$ 292,764
LIABILITIES				
Accounts payable	\$ 490,131	\$ 1,919,874	\$ 2,117,241	\$ 292,764
Total liabilities	\$ 490,131	\$ 1,919,874	\$ 2,117,241	\$ 292,764
TOTAL AGENCY FUNDS				
ASSETS				
Cash, cash equivalents and investments, at fair value	\$ 643,657	\$ 1,990,998	\$ 2,341,891	\$ 292,764
Accrued interest	804	-	804	-
Other assets	76,978	86,109	163,087	-
Total assets	\$ 721,439	\$ 2,077,107	\$ 2,505,782	\$ 292,764
LIABILITIES				
Accounts payable	\$ 721,439	\$ 2,077,107	\$ 2,505,782	\$ 292,764
Total liabilities	\$ 721,439	\$ 2,077,107	\$ 2,505,782	\$ 292,764

**CITY OF DENTON, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION
 OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE*
 AS OF SEPTEMBER 30, 2015 AND 2016**

Exhibit XXX

	<u>2016</u>	<u>2015</u>
Governmental funds capital assets:		
Land	\$ 15,712,396	\$ 15,068,379
Work in progress	55,103,696	48,633,770
Buildings	57,062,259	57,660,509
Plant, machinery and equipment	76,297,718	72,005,242
Infrastructure	245,835,580	235,300,412
Total governmental funds capital assets	<u><u>\$ 450,011,649</u></u>	<u><u>\$ 428,668,312</u></u>
 Investments in governmental funds capital assets by source:		
General fund	\$ 189,295,344	\$ 186,531,361
Special revenue funds	9,123,962	8,988,533
Capital projects funds	251,592,343	233,148,418
Total governmental funds capital assets	<u><u>\$ 450,011,649</u></u>	<u><u>\$ 428,668,312</u></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. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.**

CITY OF DENTON, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION
 OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY*
 AS OF SEPTEMBER 30, 2016

Exhibit XXXI

Function and Activity	Land	Buildings	Plant, Machinery and Equipment	Infrastructure	Work in Progress	Total
General government:						
Finance	\$ -	\$ -	\$ 45,930	\$ -	\$ -	\$ 45,930
Legal	-	-	358,124	-	-	358,124
Human resources	-	-	74,643	-	352,102	426,745
City manager/economic development	-	808,462	702,654	-	22,981	1,534,097
Facilities management	353,434	15,529,855	12,214,896	570,021	2,549,148	31,217,354
Library	-	12,050,477	7,644,508	14,715	17,625	19,727,325
Building inspections	-	-	297,949	-	-	297,949
Planning/community development	-	494,500	506,718	24,057	344,888	1,370,163
Engineering	-	-	-	-	476,378	476,378
Community improvement services	-	-	292,997	-	-	292,997
Gas Well Review	-	-	27,478	-	-	27,478
Reprographics	-	-	150,155	-	-	150,155
Total general government	353,434	28,883,294	22,316,052	608,793	3,763,122	55,924,695
Public works:						
Traffic operations	1,236	14,600	1,738,271	18,944,646	1,121,910	21,820,663
Streets	984,280	5,000	6,993,792	210,953,563	30,061,930	248,998,565
Total public works	985,516	19,600	8,732,063	229,898,209	31,183,840	270,819,228
Parks and recreation	11,028,338	16,248,837	11,863,742	15,323,578	4,920,106	59,384,601
Public safety:						
Fire administration	316,340	-	231,472	-	-	547,812
Fire operations	2,024,704	11,511,733	15,378,412	5,000	8,505,294	37,425,143
Fire prevention	-	-	1,445,098	-	-	1,445,098
Emergency medical services	-	-	381,368	-	61,414	442,782
Police	-	11,993	15,056,167	-	911,569	15,979,729
Animal services	1,004,064	386,802	401,567	-	5,758,351	7,550,784
Municipal court/judge/clerks	-	-	491,777	-	-	491,777
Total public safety	3,345,108	11,910,528	33,385,861	5,000	15,236,628	63,883,125
Total governmental funds capital assets	\$ 15,712,396	\$ 57,062,259	\$ 76,297,718	\$ 245,835,580	\$ 55,103,696	\$ 450,011,649

*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. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF DENTON, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION
 OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXXII

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	October 1, 2015	Additions	Deductions	September 30, 2016
General government:				
Finance	\$ 45,930	\$ -	\$ -	\$ 45,930
Legal	358,124	-	-	358,124
Human resources	6,643	107,858	(39,858)	74,643
City manager/economic development	1,474,036	37,080	-	1,511,116
Facilities management	26,704,124	2,090,188	(126,106)	28,668,206
Library	19,675,763	554,165	(520,228)	19,709,700
Building inspections	252,761	45,188	-	297,949
Planning/community development	1,003,875	21,400	-	1,025,275
Engineering	51,189	-	(51,189)	-
Community improvement services	156,217	157,769	(20,989)	292,997
Gas Well Review	27,478	-	-	27,478
Reprographics	-	150,155	-	150,155
Total general government	49,756,140	3,163,803	(758,370)	52,161,573
Public works:				
Traffic operations	19,587,149	1,221,264	(109,660)	20,698,753
Streets	208,488,773	10,625,569	(177,707)	218,936,635
Total public works	228,075,922	11,846,833	(287,367)	239,635,388
Parks and recreation	54,113,776	716,951	(366,232)	54,464,495
Public safety:				
Fire administration	231,472	316,340	-	547,812
Fire operations	29,443,237	726,767	(1,250,155)	28,919,849
Fire prevention	1,402,608	42,490	-	1,445,098
Emergency medical services	381,368	-	-	381,368
Police	14,319,764	1,132,938	(384,542)	15,068,160
Animal services	1,818,478	53,428	(79,473)	1,792,433
Municipal court/judge/clerks	491,777	-	-	491,777
Total public safety	48,088,704	2,271,963	(1,714,170)	48,646,497
Work in progress	48,633,770	23,752,044	(17,282,118)	55,103,696
Total governmental funds capital assets	\$ 428,668,312	\$ 41,751,594	\$ (20,408,257)	\$ 450,011,649

*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. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.



STATISTICAL SECTION

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

Contents

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. (Tables 1 – 4)

Revenue Capacity

These schedules contain information to help the reader assess the city’s most significant local revenue source, the property tax. These tables do not include the Electric fund information due to confidentiality of information necessary for competitive rates. (Tables 5 – 8)

Debt Capacity

These schedules present information to help the reader assess the affordability of the city’s current level of outstanding debt and the city’s ability to issue additional debt in the future. (Tables 9 – 12)

Demographic and 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. (Tables 13 – 14)

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. (Tables 15 – 17)

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

**CITY OF DENTON, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities					
Net investment in capital assets	\$ 99,858,383	\$ 102,040,021	\$ 102,110,134	\$ 104,636,239	\$ 103,073,465
Restricted	886,141	1,454,579	1,947,553	2,894,676	2,839,556
Unrestricted	30,738,026	37,610,966	38,252,078	46,480,569	34,590,673
Total governmental activities net position	<u>131,482,550</u>	<u>141,105,566</u>	<u>142,309,765</u>	<u>154,011,484</u>	<u>140,503,694</u>
Business-type activities					
Net investment in capital assets	242,015,614	263,325,859	282,463,031	277,356,195	296,006,601
Restricted	31,015,188	33,087,609	33,380,595	30,598,923	30,454,314
Unrestricted	107,837,825	107,545,434	109,826,810	131,497,936	158,120,736
Total business-type activities net position	<u>380,868,627</u>	<u>403,958,902</u>	<u>425,670,436</u>	<u>439,453,054</u>	<u>484,581,651</u>
Primary government					
Net investment in capital assets	341,873,997	365,365,880	384,573,165	381,992,434	399,080,066
Restricted	31,901,329	34,542,188	35,328,148	33,493,599	33,293,870
Unrestricted	138,575,851	145,156,400	148,078,888	177,978,505	192,711,409
Total primary government net position	<u>\$ 512,351,177</u>	<u>\$ 545,064,468</u>	<u>\$ 567,980,201</u>	<u>\$ 593,464,538</u>	<u>\$ 625,085,345</u>

Source: Comprehensive Annual Financial Reports

Table 1

2012	2013	2014	2015	2016
\$ 101,784,929	\$ 116,146,838	\$ 128,915,116	\$ 141,914,877	\$ 145,309,987
3,460,027	4,116,256	12,233,226	13,215,421	13,736,624
35,005,109	35,136,072	28,096,148	(8,775,520)	(3,620,580)
<u>140,250,065</u>	<u>155,399,166</u>	<u>169,244,490</u>	<u>146,354,778</u>	<u>155,426,031</u>
315,479,026	347,780,207	383,678,313	421,894,337	460,330,063
28,559,731	28,654,879	28,056,605	25,356,458	8,892,547
169,653,341	158,145,443	139,515,508	122,542,446	151,234,604
<u>513,692,098</u>	<u>534,580,529</u>	<u>551,250,426</u>	<u>569,793,241</u>	<u>620,457,214</u>
417,263,955	463,927,045	512,593,429	563,809,214	605,640,050
32,019,758	32,771,135	40,289,831	38,571,879	22,629,171
204,658,450	193,281,515	167,611,656	113,766,926	147,614,024
<u>\$ 653,942,163</u>	<u>\$ 689,979,695</u>	<u>\$ 720,494,916</u>	<u>\$ 716,148,019</u>	<u>\$ 775,883,245</u>

CITY OF DENTON, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2007	2008	2009	2010	2011
EXPENSES					
Governmental activities:					
General government	\$ 22,145,804	\$ 26,408,949	\$ 27,482,131	\$29,569,535	\$28,198,604
Public safety	42,161,674	43,426,526	45,368,783	47,998,906	49,154,371
Public works	14,008,867	15,448,473	15,816,065	15,767,926	16,089,302
Parks and recreation	11,564,247	12,927,020	12,755,037	12,854,336	12,421,893
Interest expense	4,658,128	5,372,868	5,733,268	5,121,329	5,046,724
Total governmental activities expenses	94,538,720	103,583,836	107,155,284	111,312,032	110,910,894
Business-type activities:					
Electric system	123,926,967	138,791,009	124,901,262	114,903,831	117,769,599
Water system	25,839,614	26,226,068	28,636,190	27,219,944	28,293,109
Wastewater system	18,785,353	19,413,247	19,909,229	20,560,600	20,455,424
Solid waste	15,451,025	17,065,295	18,036,331	18,028,832	20,008,746
Airport	-	-	-	-	1,326,397
Total business-type activities expenses	184,002,959	201,495,619	191,483,012	180,713,207	187,853,275
Total primary government expenses	278,541,679	305,079,455	298,638,296	292,025,239	298,764,169
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	3,694,869	3,310,592	4,792,856	3,551,733	4,108,687
Public safety	6,160,611	6,461,037	6,554,619	6,431,007	7,075,328
Public works	800,378	853,091	586,377	1,425,683	525,024
Parks and recreation	3,220,837	3,292,528	2,990,921	3,372,579	3,964,517
Operating grants and contributions	2,991,224	3,306,325	2,281,136	3,407,085	4,270,697
Capital grants and contributions	5,399,220	7,308,398	3,641,296	15,206,424	7,497,908
Total governmental activities program revenues	22,267,139	24,531,971	20,847,205	33,394,511	27,442,161
Business-type activities:					
Charges for services:					
Electric system	128,973,477	138,467,222	128,511,236	119,156,314	131,435,554
Water system	27,830,767	30,843,797	30,067,774	28,407,954	36,790,720
Wastewater system	22,634,454	23,184,369	22,342,174	21,917,651	23,338,841
Solid waste	15,967,051	16,660,375	18,386,616	18,432,245	20,979,967
Airport	-	-	-	-	3,203,426
Capital grants and contributions	8,440,634	5,742,139	8,099,722	5,153,568	5,053,024
Total business-type activities program revenues	203,846,383	214,897,902	207,407,522	193,067,732	220,801,532
Total primary government program revenues	226,113,522	239,429,873	228,254,727	226,462,243	248,243,693
NET (EXPENSE)/REVENUE					
Governmental activities	(72,271,581)	(79,051,865)	(86,308,079)	(77,917,521)	(83,468,733)
Business-type activities	19,843,424	13,402,283	15,924,510	12,354,525	32,948,257
Total primary government program net expense	\$ (52,428,157)	\$ (65,649,582)	\$ (70,383,569)	\$ (65,562,996)	\$ (50,520,476)

Table 2

2012	2013	2014	2015	2016
\$29,421,275	\$27,686,735	\$30,476,840	\$31,260,126	\$33,847,052
52,496,010	52,906,985	56,893,859	58,132,146	63,118,516
18,662,029	18,663,884	16,950,280	20,331,934	24,557,482
12,968,426	13,714,245	14,543,461	14,982,742	16,043,697
4,755,938	4,464,309	4,339,154	4,384,973	4,664,608
118,303,678	117,436,158	123,203,594	129,091,921	142,231,355
122,428,808	146,246,880	157,906,294	158,106,661	145,963,753
26,822,690	26,814,020	24,023,392	25,870,489	26,000,734
20,890,614	21,467,088	22,176,191	24,307,305	23,921,154
21,695,322	21,730,796	23,844,055	26,766,890	29,435,101
1,472,155	1,608,989	2,435,446	2,100,281	2,536,460
193,309,589	217,867,773	230,385,378	237,151,626	227,857,202
311,613,267	335,303,931	353,588,972	366,243,547	370,088,557
3,873,349	4,105,648	4,645,655	5,364,405	6,015,305
7,069,770	7,767,083	7,064,927	7,276,024	9,827,784
1,086,269	1,159,605	885,010	707,604	729,528
3,951,433	4,059,383	5,833,238	4,926,465	5,268,637
2,598,157	3,118,105	4,788,149	3,380,119	2,855,501
4,292,468	14,671,571	11,127,695	10,443,220	5,885,033
22,871,446	34,881,395	34,344,674	32,097,837	30,581,788
132,352,950	136,655,892	150,362,507	167,696,288	166,290,498
36,265,061	37,586,306	34,865,803	37,572,331	38,181,034
24,570,095	26,588,179	28,629,754	30,790,885	31,900,885
22,944,272	24,468,976	25,980,914	29,091,216	31,236,506
1,909,619	1,880,812	1,925,825	1,277,402	1,183,661
4,317,463	9,877,185	5,656,622	8,593,699	7,705,101
222,359,460	237,057,350	247,421,425	275,021,821	276,497,685
245,230,906	271,938,745	281,766,099	307,119,658	307,079,473
(95,432,232)	(82,554,763)	(88,858,920)	(96,994,084)	(111,649,567)
29,049,871	19,189,577	17,036,047	37,870,195	48,640,483
\$ (66,382,361)	\$ (63,365,186)	\$ (71,822,873)	\$ (59,123,889)	\$ (63,009,084)

(continued)

CITY OF DENTON, TEXAS
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	2007	2008	2009	2010	2011
GENERAL REVENUES AND OTHER CHANGES					
IN NET POSITION					
Governmental activities:					
Taxes:					
Property tax	\$ 34,756,356	\$ 41,499,791	\$ 43,187,433	\$43,144,645	\$44,144,844
Sales tax ¹	20,653,932	21,440,839	20,466,772	20,484,954	22,871,282
Franchise tax	15,197,943	16,197,042	15,669,981	17,457,994	19,324,244
Hotel occupancy tax	1,268,627	1,369,667	1,239,261	1,302,617	1,513,468
Beverage tax	294,623	319,541	338,700	347,940	359,671
Bingo tax	23,708	23,653	22,915	22,611	21,963
Investment income	3,632,744	3,287,282	2,413,339	684,709	459,615
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	3,199,131	4,214,028	3,327,758	5,690,969	2,370,682
Transfers	(13,475,571)	323,038	846,119	482,801	(10,430,082)
Total governmental activities	65,551,493	88,674,881	87,512,278	89,619,240	80,635,687
Business-type activities:					
Investment income	12,108,632	7,817,671	6,075,453	1,653,515	1,472,078
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	548,189	195,055	557,690	257,379	278,180
Transfers	13,475,571	(323,038)	(846,119)	(482,801)	10,430,082
Total business-type activities	26,132,392	7,689,688	5,787,024	1,428,093	12,180,340
Total primary government	91,683,885	96,364,569	93,299,302	91,047,333	92,816,027
CHANGE IN NET POSITION					
Governmental activities	(6,720,088)	9,623,016	1,204,199	11,701,719	(2,833,046)
Business-type activities	45,975,816	21,091,971	21,711,534	13,782,618	45,128,597
Total primary government	\$ 39,255,728	\$ 30,714,987	\$ 22,915,733	\$ 25,484,337	\$ 42,295,551

Source: Comprehensive Annual Financial Reports

¹ Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.

Table 2

2012	2013	2014	2015	2016
\$45,174,160	\$47,275,552	\$48,833,077	\$54,174,965	\$58,788,255
25,886,940	26,522,473	27,764,114	30,601,965	32,624,297
19,336,701	19,901,459	21,001,427	21,996,031	22,659,014
1,555,347	1,910,125	1,982,643	2,156,294	2,243,264
345,032	392,192	419,498	573,758	597,284
20,889	20,774	20,684	20,380	18,910
581,849	354,089	563,236	759,334	1,019,594
-	-	-	707,966	498,265
1,390,398	1,428,907	1,980,545	1,220,060	1,087,504
887,287	(101,707)	876,525	1,140,938	1,184,433
95,178,603	97,703,864	103,441,749	113,351,691	120,720,820
1,638,830	1,085,856	1,355,730	1,692,971	2,010,008
-	-	-	42,455	1,197,915
(690,967)	511,291	521,013	-	-
(887,287)	101,707	(876,525)	(1,140,938)	(1,184,433)
60,576	1,698,854	1,000,218	594,488	2,023,490
95,239,179	99,402,718	104,441,967	113,946,179	122,744,310
(253,629)	15,149,101	14,582,829	16,357,607	9,071,253
29,110,447	20,888,431	18,036,265	38,464,683	50,663,973
\$ 28,856,818	\$ 36,037,532	\$ 32,619,094	\$ 54,822,290	\$ 59,735,226

**CITY OF DENTON, TEXAS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)**

	2007	2008	2009	2010
General fund				
Reserved for encumbrances	\$ -	\$ 123,696	\$ -	\$ -
Unreserved, designated	4,360,649	-	-	-
Committed to streets	-	-	-	-
Assigned to use of reserves	-	-	-	-
Unreserved, undesignated, unassigned	18,199,161	25,253,797	22,794,955	21,526,779
Total general fund	22,559,810	25,377,493	22,794,955	21,526,779
All other governmental funds				
Reserved for:				
Debt service	886,141	1,954,955	2,414,288	3,354,535
Capital projects	48,971,610	57,887,531	35,339,606	44,970,571
Encumbrances	-	5,515	-	-
Unreserved, undesignated reported in:				
Special revenue funds	8,896,111	9,534,627	16,435,449	13,838,425
Restricted for:				
Debt Service	-	-	-	-
Parks and recreation	-	-	-	-
Streets and drainage projects	-	-	-	-
Other capital projects	-	-	-	-
Other grants and purposes	-	-	-	-
Committed to:				
Streets	-	-	-	-
Parks and recreation	-	-	-	-
Other purposes	-	-	-	-
Assigned to:				
Streets and drainage projects	-	-	-	-
Other capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	\$ 58,753,862	\$ 69,382,628	\$ 54,189,343	\$ 62,163,531

Source: Comprehensive Annual Financial Reports

¹The City adopted GASB Statement No. 54 which changed the classification of governmental fund balances to nonspendable, restricted, committed, assigned, and unassigned.

Table 3

2011 ¹	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
921,779	-	-	-	-	-
668,116	664,894	1,377,039	661,545	-	99,365
22,834,108	25,171,186	24,378,139	25,176,737	27,365,168	28,070,483
24,424,003	25,836,080	25,755,178	25,838,282	27,365,168	28,169,848
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,279,080	3,824,438	4,572,807	4,726,841	4,791,880	4,893,032
9,561,244	10,496,887	9,220,953	11,584,890	14,288,659	13,553,834
21,857,670	22,004,377	23,759,574	25,790,648	42,537,941	46,511,509
5,907,877	8,444,073	12,231,061	11,925,978	10,603,695	13,512,733
1,223,822	1,789,241	2,223,626	2,465,093	3,218,466	3,319,230
-	991,942	1,330,184	916,613	1,388,223	1,798,624
1,427,717	570,534	590,062	573,429	513,484	498,150
1,867,639	1,468,837	1,801,661	3,560,159	4,430,392	5,500,983
724,241	-	144,485	423,152	2,214,613	3,430,681
1,332,105	3,003,344	2,599,101	2,868,390	1,666,029	3,728,955
77,341	49,026	56,900	34,847	49,630	74,558
(758,734)	(91,145)	(8,901)	(144,084)	(73,857)	(242,338)
\$ 46,500,002	\$ 52,551,554	\$ 58,521,513	\$ 64,725,956	\$ 85,629,155	\$ 96,579,951

CITY OF DENTON, TEXAS
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	2007	2008	2009	2010
REVENUES:				
Taxes:				
Property tax	\$ 34,662,336	\$ 41,436,012	\$ 42,980,209	\$ 43,326,427
Sales tax ¹	20,653,932	21,440,839	20,466,772	20,484,954
Hotel occupancy tax	1,268,627	1,369,667	1,239,261	1,302,617
Beverage tax	294,623	319,541	338,700	347,940
Bingo tax	23,708	23,653	22,915	22,611
Licenses and permits	1,097,323	1,080,580	1,265,733	1,198,552
Franchise fees	15,197,943	16,197,042	15,669,981	17,457,994
Fines and forfeitures	5,065,049	5,262,189	4,972,905	4,828,159
Fees for services	7,624,265	7,951,665	7,595,440	12,244,258
Investment revenue	3,632,744	3,287,282	2,415,817	684,709
Intergovernmental	3,852,513	8,094,307	4,049,439	16,639,038
Miscellaneous	3,006,751	3,778,673	3,183,891	1,002,133
Total revenues	96,379,814	110,241,450	104,201,063	119,539,392
EXPENDITURES:				
General government	20,158,739	24,110,329	25,223,041	26,909,485
Public safety	37,755,272	40,855,112	42,540,423	44,398,442
Public works	5,624,287	6,596,191	6,753,314	6,517,717
Parks and recreation	10,234,361	11,557,168	11,444,577	11,072,061
Capital outlay	17,237,922	23,275,703	21,863,647	14,164,662
Debt service:				
Principal retirement	6,808,439	8,479,136	9,479,243	9,277,804
Advance refunding escrow	-	-	148,575	-
Bond issuance costs	314,286	530,137	105,392	78,919
Interest and other charges	4,389,307	5,261,346	5,570,770	5,095,245
Total expenditures	102,522,613	120,665,122	123,128,982	117,514,335
Excess (deficiency) of revenues over (under) expenditures	(6,142,799)	(10,423,672)	(18,927,919)	2,025,057
OTHER FINANCING SOURCES (USES):				
Refunding bonds issued	24,780,000	24,595,000	6,120,000	3,460,000
Payment to refunded bond escrow agent	-	(25,117,336)	(6,265,255)	(3,774,764)
Issuance of long-term debt	-	22,230,000	-	6,905,000
Premium on debt issuance	528,630	937,755	246,012	498,682
Insurance recoveries	-	-	-	-
Proceeds of capital lease	1,108,131	69,897	-	-
Sale of capital assets	-	582,087	44,865	160,495
Transfers in	12,323,132	2,406,678	10,286,496	5,815,769
Transfers (out)	(5,154,536)	(1,833,960)	(9,280,022)	(8,384,227)
Total other financing sources (uses)	33,585,357	23,870,121	1,152,096	4,680,955
NET CHANGE IN FUND BALANCES	\$ 27,442,558	\$ 13,446,449	\$ (17,775,823)	\$ 6,706,012
Debt service as a percentage of noncapital expenditures	13.1%	14.1%	14.9%	13.9%

Source: Comprehensive Annual Financial Reports

¹ Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.

Table 4

	2011	2012	2013	2014	2015	2016
\$	44,147,706	\$ 45,116,485	\$ 47,330,522	\$ 48,872,016	\$ 54,230,541	\$ 58,802,856
	22,871,282	25,886,940	26,522,473	27,764,114	30,601,965	32,624,297
	1,513,468	1,555,347	1,910,125	1,982,643	2,156,294	2,243,264
	359,671	345,032	392,192	419,498	573,758	597,284
	21,963	20,889	20,774	20,684	20,380	18,910
	1,460,548	1,436,215	1,446,580	1,978,421	2,782,395	3,106,162
	19,324,244	19,336,701	19,901,459	21,001,427	21,996,031	22,659,014
	4,929,110	5,462,133	5,342,966	6,261,579	6,505,175	6,433,158
	8,395,583	8,519,763	8,683,278	10,187,195	9,391,260	10,927,305
	459,615	581,849	354,089	563,236	759,334	1,019,594
	10,896,063	6,739,864	9,914,834	10,986,128	10,236,689	5,217,302
	1,911,634	1,171,618	1,322,762	2,648,160	1,387,127	1,347,258
	<u>116,290,887</u>	<u>116,172,836</u>	<u>123,142,054</u>	<u>132,685,101</u>	<u>140,640,949</u>	<u>144,996,404</u>
	25,784,296	24,359,018	25,047,062	28,188,722	29,277,275	31,024,356
	46,561,747	48,118,051	51,303,825	53,380,064	55,978,174	59,067,019
	7,483,926	8,608,554	9,425,446	9,979,997	12,439,131	11,604,966
	10,913,450	11,315,951	12,274,908	12,808,701	13,277,516	13,987,694
	12,937,053	10,983,987	20,038,064	20,660,461	23,712,400	25,966,695
	9,670,892	9,770,660	10,017,719	10,703,071	11,918,983	13,390,576
	-	130,111	110,145	-	120,519	147,687
	29,156	163,811	181,308	86,800	181,409	154,948
	5,070,734	4,758,305	4,552,348	4,741,257	4,647,528	5,246,925
	<u>118,451,254</u>	<u>118,208,448</u>	<u>132,950,825</u>	<u>140,549,073</u>	<u>151,552,935</u>	<u>160,590,866</u>
	<u>(2,160,367)</u>	<u>(2,035,612)</u>	<u>(9,808,771)</u>	<u>(7,863,972)</u>	<u>(10,911,986)</u>	<u>(15,594,462)</u>
	-	10,173,303	6,182,405	3,130,000	14,290,000	12,045,000
	-	(11,432,581)	(6,547,180)	(3,194,293)	(15,604,758)	(14,075,445)
	5,680,000	8,020,000	14,765,000	12,635,000	29,240,000	22,780,000
	32,628	2,016,193	1,232,674	635,037	3,214,914	4,317,817
	-	19,961	-	-	-	30,624
	-	-	-	-	-	150,155
	303,307	153,127	148,417	85,059	715,685	530,054
	1,968,253	4,741,735	2,980,448	3,596,433	4,557,824	8,164,575
	(7,915,382)	(4,192,497)	(3,063,936)	(2,735,717)	(3,071,594)	(6,592,842)
	<u>68,806</u>	<u>9,499,241</u>	<u>15,697,828</u>	<u>14,151,519</u>	<u>33,342,071</u>	<u>27,349,938</u>
\$	<u>(2,091,561)</u>	<u>\$ 7,463,629</u>	<u>\$ 5,889,057</u>	<u>\$ 6,287,547</u>	<u>\$ 22,430,085</u>	<u>\$ 11,755,476</u>
	14.0%	13.6%	12.9%	12.9%	13.0%	13.8%

CITY OF DENTON, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Table 5

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value ¹	Total Direct Tax Rate
	Real Property	Personal Property			
2007	\$ 5,475,770,871	\$ 952,273,984	\$ 986,815,946	\$ 5,441,228,909	\$ 0.62652
2008	6,159,567,238	969,219,527	1,039,286,990	6,089,499,775	0.66652
2009	6,443,103,507	938,547,047	1,090,291,442	6,291,359,112	0.66652
2010	6,619,118,472	922,539,801	1,213,749,251	6,327,909,022	0.66652
2011	6,744,096,534	879,202,496	1,393,181,072	6,230,117,958	0.68975
2012	6,903,311,493	933,580,101	1,424,516,590	6,412,375,004	0.68975
2013	7,083,330,127	1,125,646,116	1,492,264,875	6,716,711,368	0.68975
2014	7,427,124,969	1,161,189,421	1,609,090,116	6,979,224,274	0.68975
2015	8,285,049,321	1,329,999,883	1,817,871,596	7,797,177,608	0.68975
2016	8,989,650,946	1,332,290,743	1,858,794,929	8,463,146,760	0.68975

Source: Denton Central Appraisal District

¹Total Taxable Assessed Value from 2013-2016 include the Downtown and West Park TIRZ's.



**CITY OF DENTON, TEXAS
PROPERTY TAX RATES (PER \$100 OF ASSESSED VALUE)
DIRECT AND OVERLAPPING¹ GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Denton			Denton County	Denton Independent School District	Argyle Independent School District
	Operating Rate	Debt Service Rate	Total Direct Rate			
2007	\$ 0.44765	\$ 0.17887	\$ 0.62652	\$ 0.231920	\$ 1.76400	\$ 1.769430
2008	0.44765	0.21887	0.66652	0.235890	1.43400	1.410050
2009	0.44765	0.21887	0.66652	0.235770	1.49000	1.410050
2010	0.44765	0.21887	0.66652	0.249800	1.49000	1.410050
2011	0.47088	0.21887	0.68975	0.273900	1.53000	1.440050
2012	0.47088	0.21887	0.68975	0.277357	1.53000	1.460050
2013	0.47088	0.21887	0.68975	0.282867	1.53000	1.480050
2014	0.47480	0.21495	0.68975	0.284914	1.53000	1.475000
2015	0.48119	0.20856	0.68975	0.272200	1.54000	1.570050
2016	0.47456	0.21519	0.68975	0.262000	1.54000	1.570050

Source: Denton County Tax Office
Denton County Central Appraisal District

¹Overlapping rates are those of the school district and county government that apply to property owners within the City of Denton.

Table 6

Overlapping Rates					
School Districts					Total Direct & Overlapping Rates (Range)
Aubrey Independent School District	Krum Independent School District	Pilot Point Independent School District	Ponder Independent School District	Sanger Independent School District	
\$ 1.666600	\$ 1.595500	\$ 1.630000	\$ 1.552610	\$ 1.650000	\$ 2.411050 - 2.627870
1.398060	1.365500	1.300000	1.228210	1.340000	2.130620 - 2.336410
1.485600	1.365500	1.390000	1.321220	1.370000	2.223510 - 2.392290
1.540000	1.440000	1.370000	1.309028	1.360000	2.225348 - 2.456320
1.540000	1.480000	1.370000	1.324890	1.360000	2.288540 - 2.503650
1.540000	1.540000	1.370000	1.344610	1.372067	2.311717 - 2.507107
1.540000	1.520000	1.370000	1.353292	1.372067	2.325909 - 2.512617
1.510000	1.540000	1.370000	1.385000	1.372070	2.344664 - 2.514664
1.510000	1.540000	1.370000	1.380800	1.372067	2.331950 - 2.532000
1.510000	1.540000	1.370000	1.387500	1.372067	2.321750 - 2.521800

CITY OF DENTON, TEXAS
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

Table 7

2016			2007		
Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value ¹	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value ²
PACCAR Inc. (Peterbilt)	\$97,146,347	1.15%	Presbyterian Hospital	\$120,766,157	2.22%
Columbia Medical Center of Denton (Denton Regional Hospital)	90,617,674	1.07%	Denton Regional Hospital	77,260,797	1.42%
Inland Western Crossing (Denton Crossing Shopping Center)	57,185,000	0.68%	Inland Western Crossing	55,500,000	1.02%
Cypress Denton Station LTD (Forum at Denton Station Apartments)	51,401,583	0.61%	Peterbilt Motors	52,442,834	0.96%
ACC OP LLC (U Centre at Fry Street Apartments)	51,300,000	0.61%	United Copper	49,531,076	0.91%
RR Marketplace LP (Rayzor Ranch Town Center)	48,684,184	0.58%	Anderson Merchandisers	46,650,576	0.86%
Timber Links Apartments LLC (The Timber Links)	44,500,000	0.53%	Sally Beauty	38,823,013	0.71%
Eagleridge Operating LLC (EagleRidge Energy)	38,227,658	0.45%	Verizon Southwest	37,109,019	0.68%
HRA University Courtyard LLC (University Courtyard Apartments)	33,660,000	0.40%	Flowers Baking	31,976,228	0.59%
SCI Gateway at Denton Fund 25 LLC (Gateway at Denton Apartments)	30,718,622	0.36%	Golden Triangle Mall	29,367,171	0.54%
Total	\$ 543,441,068	6.42%	Total	\$ 539,426,871	9.91%

Source: Denton Central Appraisal District

¹Total taxable assessed value for tax year 2015 (fiscal year 2016) is \$8,463,146,760

²Total taxable assessed value for tax year 2006 (fiscal year 2007) is \$5,441,228,909



**CITY OF DENTON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
				Amount	Percentage of Levy	
2007	\$ 34,273,862	\$ 329,454	\$ 34,603,316	\$ 33,872,404	97.89%	\$ 689,374
2008	40,816,256	45,540	40,861,796	40,354,528	98.76%	454,092
2009	43,086,123	57,684	43,143,807	42,423,707	98.33%	629,521
2010	42,898,414	58,535	42,956,949	42,448,364	98.82%	422,114
2011	43,890,121	(1,769)	43,888,352	43,447,508	99.00%	365,505
2012	44,856,277	11,360	44,867,637	44,461,501	99.09%	303,426
2013	46,965,495	18,835	46,984,330	46,638,975	99.26%	223,575
2014	48,398,900	37,140	48,436,040	48,083,910	99.27%	220,983
2015	53,829,793	(167,861)	53,661,933	53,503,029	99.70%	(49,454)
2016	58,634,172	-	58,634,172	58,280,013	99.40%	-

Source: Denton Central Appraisal District

Table 8

Total Collections to Date	
Amount	Percentage of Levy
\$ 34,561,778	99.88%
40,808,620	99.87%
43,053,228	99.79%
42,870,478	99.80%
43,813,013	99.83%
44,764,927	99.77%
46,862,550	99.74%
48,304,893	99.73%
53,453,575	99.61%
58,280,013	99.40%

**CITY OF DENTON, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				Business-Type Activities		
	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation
2007	\$ 70,650,317	\$ 51,355,100	\$ 849,575	\$ 2,393,684	\$ 281,750,000	\$ 3,099,683	\$ 13,889,900
2008	80,814,594	55,097,550	1,645,160	1,819,298	282,200,000	4,865,406	12,952,450
2009	77,358,650	48,611,150	1,658,410	2,769,671	266,705,000	4,366,350	11,243,850
2010	77,314,650	45,727,950	1,798,093	1,771,952	209,885,000	39,600,350	126,207,050
2011	73,395,650	43,036,419	1,475,673	1,879,906	187,525,000	47,209,350	150,553,581
2012	80,013,439	33,910,342	3,272,887	1,891,895	156,855,000	59,301,561	181,314,658
2013	80,719,761	37,514,485	3,737,386	983,249	144,225,000	55,970,239	222,955,515
2014	78,316,161	41,570,000	3,593,057	1,102,864	112,170,000	79,188,839	290,640,000
2015	95,019,058	41,590,000	6,039,823	2,079,227	63,340,000	108,585,942	359,375,000
2016	109,861,174	34,565,000	9,250,779	1,373,230	-	141,063,826	416,465,000

Source: Comprehensive Annual Financial Reports

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

¹See Table 13 for personal income and population data.

Table 9

Premiums, Discounts	Other Obligations	Total Primary Government	Percentage of Personal Income¹	Per Capita¹
\$ 6,836,909	\$ 7,032,986	\$ 437,858,154	0.01810%	\$ 4,017.78
6,265,197	5,713,041	451,372,696	0.01786%	4,060.57
5,586,295	3,161,549	421,460,925	0.01708%	3,717.14
14,799,674	1,824,177	518,928,896	0.01980%	4,531.46
13,078,316	1,279,130	519,433,025	0.02087%	4,490.96
17,869,148	713,408	535,142,338	0.01932%	4,558.40
18,645,703	363,487	565,114,825	0.02040%	4,813.71
23,263,019	-	629,843,940	0.02145%	5,285.79
27,564,104	-	703,593,154	0.02398%	5,817.46
38,514,641	-	751,093,650	0.02545%	6,118.44

CITY OF DENTON, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Table 10

Fiscal Year	General Bonded Debt Outstanding						Percentage of Actual Taxable Value of Property ¹	Per Capita ²
	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Less: Amounts Available in Debt Service Fund	Less: Amounts Payable from Business-Type Activity Debt	Total		
2007	\$ 73,750,000	\$ 65,245,000	\$ 291,713	\$ 307,711	\$ 16,431,721	\$ 122,547,281	2.25%	\$ 1,146.98
2008	85,680,000	68,050,000	1,129,480	1,454,579	17,302,176	136,102,725	2.24%	1,248.88
2009	81,725,000	59,855,000	1,092,841	1,947,553	15,044,631	125,680,657	2.00%	1,130.63
2010	116,915,000	171,935,000	11,132,167	2,894,676	175,141,474	121,946,017	1.93%	1,075.52
2011	120,605,000	193,590,000	9,889,696	2,839,556	206,176,954	115,068,186	1.85%	1,004.81
2012	139,315,000	215,225,000	17,168,115	3,460,027	254,511,447	113,736,641	1.77%	983.35
2013	136,690,000	260,470,000	19,524,244	4,116,256	294,712,612	117,855,376	1.75%	1,003.90
2014	157,505,000	332,210,000	24,502,816	4,261,848	390,738,598	119,217,370	1.71%	1,000.50
2015	203,605,000	400,965,000	32,182,498	4,260,793	494,103,617	138,388,088	1.77%	1,144.22
2016	250,925,000	451,030,000	47,765,420	4,314,370	595,854,356	149,551,694	1.77%	1,218.25

Source: Comprehensive Annual Financial Reports

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

¹See Table 5 for property value data.

²See Table 13 for population data.

CITY OF DENTON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2016

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Denton Independent School District	\$ 879,287,344	65.10%	\$ 572,416,061
Denton County	634,275,000	12.76%	80,933,490
Argyle Independent School District	85,706,207	11.94%	10,233,321
Aubrey Independent School District	49,374,775	0.15%	74,062
Krum Independent School District	44,772,751	5.95%	2,663,979
Pilot Point Independent School District	18,370,000	0.15%	27,555
Ponder Independent School District	22,630,000	1.57%	355,291
Sanger Independent School District	22,296,783	0.41%	91,417
			666,795,176
Subtotal, overlapping debt			666,795,176
City of Denton, direct debt		100.00%	155,050,183
Total direct and overlapping debt			\$ 821,845,359
Ratio of direct and overlapping funded debt to the City's taxable assessed valuation			9.71%
Per capita overlapping funded debt			\$ 6,695

Source: Compiled by First Southwest Company using data from the "Texas Municipal Report" prepared for the Municipal Advisory Council.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Denton. This process recognizes that, when considering the City of Denton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Denton's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF DENTON, TEXAS
 PLEDGED REVENUE COVERAGE
 LAST TEN FISCAL YEARS

Utility System¹ Revenue Bonds

Fiscal Year	Operating Revenue	Investment Revenue	Less: Fair Market Value Adjustment to Investment Revenue ²	Impact Fee Revenue	Less: Operating Expenses Before Depreciation	Add: Franchise Fees and Return on Investment Paid to General Fund ³
2007	\$ 173,879,713	\$ 11,390,142	\$ 2,710,742	\$ 5,558,985	\$ 142,890,603	\$ 11,283,647
2008	185,874,450	7,458,605	69,292	6,620,938	158,245,885	11,862,151
2009	176,464,357	5,817,918	930,936	4,456,827	147,392,056	11,325,647
2010	166,295,694	1,593,161	(550,830)	3,186,225	137,201,402	12,828,293
2011	186,359,226	1,340,539	(66,712)	5,205,889	136,774,866	14,304,393
2012	189,645,277	1,477,452	110,626	3,542,829	139,801,421	14,414,769
2013	197,126,041	983,424	(227,534)	3,704,336	164,688,198	14,582,800
2014	208,666,178	1,225,879	46,226	5,191,886	175,620,125	15,278,150
2015	229,583,483	1,512,820	156,230	6,476,021	175,131,645	16,356,904
2016	229,086,008	1,772,813	(132,432)	7,286,409	163,392,323	17,027,566

Source: Comprehensive Annual Financial Reports

¹The Utility System includes the Electric, Water, and Wastewater funds.

²For the coverage calculation, the fair market adjustment to the value of investments is excluded.

³For the coverage calculation, franchise fees and return on investment payments to the General Fund are excluded from operating expenses.

⁴Revenue bond covenants required a times coverage of 1.25 or greater. As of September 30, 2016 all outstanding revenue bonds are defeased.

⁵Total times coverage provided to assess total bond debt related to the Utility System.

Table 12

Net Available Revenue	Revenue Bond Debt			Certificate of Obligation & General Obligation Bond Debt			Total Times Coverage ⁵
	Principal	Interest	Times Coverage ⁴	Principal	Interest	Times Coverage	
\$ 56,511,142	\$ 13,325,000	\$ 12,265,461	2.21	\$ -	\$ -	N/A	2.21
53,500,967	14,840,000	13,088,928	1.92	-	-	N/A	1.92
49,741,757	15,670,000	13,073,992	1.73	-	-	N/A	1.73
47,252,801	15,935,000	12,267,799	1.68	-	-	N/A	1.68
70,501,893	13,180,000	9,208,682	3.15	4,610,000	7,315,189	5.91	2.05
69,168,280	8,460,000	7,982,284	4.21	11,880,000	7,477,233	3.57	1.93
51,935,937	12,630,000	7,028,800	2.64	9,940,000	9,115,348	2.73	1.34
54,695,742	13,260,000	6,437,088	2.78	11,860,000	10,306,245	2.47	1.31
78,641,353	11,570,000	4,902,319	4.77	15,535,000	14,115,713	2.65	1.71
91,912,905	10,210,000	2,551,456	7.20	18,800,000	18,258,583	2.48	1.84

**CITY OF DENTON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Table 13

Fiscal Year	Estimated Population¹	Personal Income	Per Capita Income²	Median Age²	Grade School Enrollment³	University Enrollment⁴	Unemployment Rate⁵
2007	106,843	2,431,746,680	22,760	27.1	20,880	43,133	3.4%
2008	108,980	2,419,464,980	22,201	27.9	22,221	43,770	4.4%
2009	111,160	2,527,667,240	22,739	28.8	22,761	45,658	6.5%
2010	113,383	2,467,894,378	21,766	28.9	24,047	47,236	6.3%
2011	114,517	2,621,408,647	22,891	28.9	24,901	47,720	6.7%
2012	115,662	2,489,161,902	21,521	27.0	25,791	48,227	5.0%
2013	117,397	2,769,630,024	23,592	26.9	26,339	48,584	4.9%
2014	119,158	2,936,410,594	24,643	27.5	27,105	48,497	3.9%
2015	120,945	2,934,125,700	24,260	27.9	27,473	49,665	3.2%
2016	122,759	2,950,758,083	24,037	28.4	28,658	50,809	3.5%

Sources:

¹City of Denton Planning and Development Department estimate. Prior population figures have been adjusted to reflect the 2010 census data.

²United States Census and Denton Chamber of Commerce

³Denton Independent School District

⁴University of North Texas' and Texas Woman's University's Denton campus enrollment

⁵Texas Workforce Commission estimate

CITY OF DENTON, TEXAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Table 14

2016			2007		
Name of Employer	Employees	Percentage of Total City Employment	Name of Employer	Employees	Percentage of Total City Employment
University of North Texas	8,738	12.54%	University of North Texas	7,351	12.14%
Denton Independent School District	4,417	6.34%	Denton Independent School District	2,600	4.29%
Peterbilt Motors-Headquarters & Plant	2,314	3.32%	Paccar, Inc. (Peterbilt Motors)	1,750	2.89%
Denton State Supported Living Center	1,700	2.44%	Denton State School	1,450	2.39%
Texas Woman's University	1,672	2.40%	Denton County (in Denton)	1,441	2.38%
Denton County (in Denton)	1,581	2.27%	City of Denton	1,244	2.05%
City of Denton	1,566	2.25%	Texas Woman's University	1,159	1.91%
Federal Emergency Management Agency	1,100	1.58%	Federal Emergency Management Agency	1,100	1.82%
Texas Presbyterian Hospital	1,076	1.54%	Denton Regional Medical Center	800	1.32%
Denton Regional Medical Center	950	1.36%	Denton Community (Presbyterian) Hospital	750	1.24%
Total	25,114	36.04%	Total	19,645	32.43%

Source: Office of Economic Development & Denton Chamber of Commerce

**CITY OF DENTON, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS**

Function / Program	Full-time Equivalent Employees for Fiscal Year				
	2007	2008	2009	2010	2011
General government	175.88	180.63	191.63	194.63	195.00
Public safety					
Police	212.23	217.23	217.23	217.23	222.23
Fire	162.25	162.25	163.25	163.25	163.25
Animal services	8.00	8.00	8.00	8.00	8.00
Municipal Court/Judge	16.50	16.75	16.75	17.50	18.50
Public works	38.00	39.00	39.00	39.00	39.00
Parks and recreation	142.07	144.15	144.15	143.08	142.58
Electric system	112.00	120.50	125.00	129.50	129.50
Water system	164.50	165.00	160.50	158.00	158.50
Wastewater system	82.87	83.37	84.87	86.37	88.37
Solid waste	87.00	88.00	93.50	93.50	98.50
Airport	-	-	-	-	5.00
Materials management	12.50	12.50	13.50	13.50	13.50
Fleet services	18.00	19.00	21.00	21.00	21.00
Technology services	24.50	25.00	25.00	25.00	26.00
Engineering	-	-	-	-	-
Risk Retention	5.00	5.00	5.00	5.00	5.00
Total	1,261.30	1,286.38	1,308.38	1,314.56	1,333.93

Source: City of Denton Budget Office

Table 15

2012	2013	2014	2015	2016
204.25	210.25	210.25	218.75	229.75
217.23	219.23	225.23	228.23	230.23
163.25	167.75	167.75	168.25	177.25
9.00	11.00	11.00	13.00	13.00
19.50	19.50	19.50	19.00	19.00
41.00	44.00	46.00	49.50	54.50
141.08	143.35	145.81	145.81	148.48
131.50	143.00	164.00	174.00	188.00
158.00	154.00	133.50	140.50	144.50
92.37	97.25	100.75	108.75	111.25
105.50	115.00	117.00	120.00	124.50
5.50	6.50	6.50	7.50	7.50
12.00	13.00	15.00	15.00	16.00
22.00	22.00	22.00	22.00	24.00
27.00	29.00	31.00	36.00	36.00
-	-	31.00	34.00	34.00
6.00	6.00	6.00	8.00	8.00
1,355.18	1,400.83	1,452.29	1,508.29	1,565.96

**CITY OF DENTON, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function / Program	Fiscal Year			
	2007	2008	2009	2010
Public Safety				
Police				
Calls for service	74,397	80,117	83,557	83,746
Traffic citations issued	31,131	31,610	36,598	33,990
Fire				
Fire calls for service	3,539	3,703	3,391	3,199
EMS calls for service	6,544	6,862	7,017	7,255
Inspections (Businesses)	3,144	3,591	3,622	4,739
Animal Services				
Animals sheltered	5,427	4,967	4,341	5,042
Animals adopted, transferred, or returned	2,297	2,119	2,193	3,264
Public Works				
Street repaving (lane miles)	23.38	41.28	17.43	10.27
Pot holes repaired	8,153	6,841	11,593	20,988
Cutouts base failures (square feet)	44,566	75,877	126,691	169,396
Crack seal maintenance (linear feet)	42,624	40,288	55,894	53,712
Parks and Recreation				
Attendance				
Leisure Services	1,048,500	1,010,351	1,031,530	1,153,632
Water Park	163,000	169,000	179,386	193,361
Total Acres Maintained	2,293	2,633	2,633	2,633
Water				
Number of customers	28,898	29,679	30,288	30,889
Annual finished water production (in thousand gallons)	5,671,124	6,582,151	6,210,472	6,209,966
Wastewater				
Number of customers	27,185	28,019	28,647	29,105
Annual wastewater discharge (in thousand gallons)	5,174,100	5,263,780	4,733,839	5,617,490
Solid Waste				
Number of customers (residential and commercial)	28,954	30,680	31,173	32,044
MSW Landfilled (tons)	128,644	136,024	160,378	140,284
Recycling collections (tons)	21,179	24,248	44,540	50,246

Source: Various city departments

Table 16

2011	2012	2013	2014	2015	2016
84,899	81,104	81,084	83,704	84,434	86,399
29,162	28,327	30,166	27,160	22,022	20,207
3,423	3,316	3,845	4,183	3,933	4,511
7,458	7,657	7,717	7,977	8,079	8,943
4,370	4,310	4,366	4,830	4,066	4,361
4,936	5,467	5,420	5,072	4,876	5,032
3,730	4,332	4,209	3,895	3,870	4,468
8.33	15.43	10.26	25.59	18.21	25.69
10,535	10,807	7,227	8,996	11,872	15,254
146,925	102,879	114,448	72,098	99,085	152,002
116,556	117,780	155,838	77,451	59,115	37,828
1,093,705	969,858	909,395	1,060,988	967,132	1,007,102
200,553	212,123	215,605	209,406	218,232	224,893
2,570	2,405	2,272	2,425	2,469	2,511
31,222	31,372	31,837	32,405	33,465	34,198
7,331,902	6,750,840	6,827,186	6,155,724	6,355,608	6,301,333
29,519	29,772	30,103	30,562	31,243	32,077
4,852,097	4,966,250	4,943,270	4,926,080	5,834,100	6,111,680
32,621	33,049	34,003	36,593	37,540	39,806
149,930	164,436	176,076	203,928	227,859	251,305
73,912	86,887	96,055	87,655	81,558	113,743

**CITY OF DENTON, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS**

Function / Program	Fiscal Year				
	2007	2008	2009	2010	2011
Public safety					
Police					
Police stations	1	1	1	1	1
Police patrol units	149	147	149	149	143
Fire					
Fire stations	7	7	7	7	7
Emergency vehicles	24	24	26	30	30
Animal services					
Animals shelters	1	1	1	1	1
Public works					
Lane miles added per year	22.66	10.10	14.79	41.77	1.56
Streetlights	7,008	7,011	7,015	7,016	6,996
Parks and recreation					
Parks	37	37	37	37	37
Park acreage	1,218	1,292	1,438	1,341	1,332
Recreation centers	13	13	13	13	13
Water					
Water mains (miles)	530	533	550	558	560
Raw water (in thousand gallons)	5,801,994	6,694,734	6,471,258	6,416,086	7,572,149
Wastewater					
Wastewater mains (miles)	470	481	488	495	496
Maximum daily capacity (in million gallons)	21	21	25	25	25
Solid waste					
Landfills	1	1	1	1	1

Source: Various city departments

Table 17

2012	2013	2014	2015	2016
1	1	1	1	1
139	137	138	137	141
7	7	7	7	7
30	31	31	32	36
1	1	1	1	1
2.45	12.00	12.20	5.83	8.11
6,987	7,020	7,067	7,164	7,233
37	37	37	37	37
1,431	1,461	1,783	1,783	1,783
13	13	13	13	13
565	572	592	604	618
7,013,351	6,776,717	6,195,624	6,493,457	6,182,450
501	509	513	516	521
25	25	25	25	25
1	1	1	1	1



CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXXIII

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	\$ 2,468,617	\$ 2,468,617	\$ 2,718,435	\$ (249,818)
Materials and Supplies	39,900	39,900	31,799	8,101
Maintenance and Repairs	36,300	24,776	24,167	609
Insurance	18,842	18,842	18,842	-
Miscellaneous	58,075	51,756	52,116	(360)
Operations, Services	131,656	146,999	176,340	(29,341)
Transfers - Interfund	137,063	137,063	137,063	-
City Manager's Office	2,890,453	2,887,953	3,158,762	(270,809)
Personal Service	273,199	273,199	265,227	7,972
Materials and Supplies	1,000	1,000	1,334	(334)
Maintenance and Repairs	1,350	1,350	-	1,350
Insurance	3,794	3,794	3,794	-
Miscellaneous	500	500	1,123	(623)
Operations, Services	15,177	15,177	6,629	8,548
Transfers - Interfund	27,852	27,852	27,852	-
Cable Television	322,872	322,872	305,959	16,913
Operations, Services	75,000	75,000	52,384	22,616
Internal Audit	75,000	75,000	52,384	22,616
Personal Service	300,372	300,372	298,008	2,364
Materials and Supplies	27,160	27,160	20,716	6,444
Insurance	3,375	3,375	3,375	-
Operations, Services	307,401	87,832	97,377	(9,545)
Transfers - Interfund	19,250	238,819	238,819	-
Public Communications	657,558	657,558	658,295	(737)
Personal Service	1,098,130	1,098,130	1,112,685	(14,555)
Materials and Supplies	31,150	31,150	22,625	8,525
Maintenance and Repairs	500	500	-	500
Insurance	11,950	11,950	11,950	-
Miscellaneous	60,873	82,038	75,701	6,337
Operations, Services	488,762	364,699	326,577	38,122
Transfers - Interfund	91,944	216,007	216,007	-
Human Resources	1,783,309	1,804,474	1,765,545	38,929
Personal Service	1,916,652	1,916,652	1,922,452	(5,800)
Materials and Supplies	12,400	55,753	61,242	(5,489)
Insurance	14,382	14,382	14,382	-
Operations, Services	195,020	195,020	75,869	119,151
Transfers - Interfund	82,720	82,720	82,720	-
Legal Administration	\$ 2,264,527	\$ 2,264,527	\$ 2,156,665	\$ 107,862

(continued)

CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXXIII

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	\$ 387,748	\$ 387,748	\$ 319,352	\$ 68,396
Materials and Supplies	4,943	3,913	2,457	1,456
Insurance	4,222	4,222	4,222	-
Operations, Services	7,083	8,113	6,953	1,160
Transfers - Interfund	34,817	34,817	34,817	-
Municipal Judge	438,813	438,813	367,801	71,012
Personal Service	2,104,577	2,073,730	1,996,211	77,519
Materials and Supplies	56,553	56,553	99,472	(42,919)
Maintenance and Repairs	-	-	495	(495)
Insurance	21,950	21,950	21,950	-
Miscellaneous	43,181	43,181	23,571	19,610
Operations, Services	340,090	202,437	227,136	(24,699)
Transfers - Interfund	263,950	513,950	613,950	(100,000)
Planning	2,830,301	2,911,801	2,982,785	(70,984)
Personal Service	2,402,654	2,402,654	2,239,482	163,172
Materials and Supplies	61,400	69,400	55,079	14,321
Maintenance and Repairs	12,634	12,634	12,855	(221)
Insurance	33,243	33,243	33,243	-
Operations, Services	113,910	105,910	83,581	22,329
Transfers - Interfund	281,537	281,537	381,537	(100,000)
Building Inspections	2,905,378	2,905,378	2,805,777	99,601
Personal Service	200,942	200,942	201,686	(744)
Materials and Supplies	230,845	230,845	165,238	65,607
Maintenance and Repairs	3,000	3,000	5,818	(2,818)
Insurance	2,022	2,022	2,022	-
Operations, Services	2,840	2,840	49,905	(47,065)
Transfers - Interfund	21,096	21,096	21,096	-
Reprographics	460,745	460,745	445,765	14,980
Personal Service	367,356	367,356	243,278	124,078
Materials and Supplies	2,950	9,279	8,716	563
Insurance	4,030	4,030	4,030	-
Miscellaneous	250	174	174	-
Operations, Services	19,072	12,819	5,139	7,680
Transfers - Interfund	34,119	34,119	34,119	-
Gas Well Review	427,777	427,777	295,456	132,321
Personal Service	1,113,947	1,113,947	1,046,368	67,579
Materials and Supplies	50,216	50,216	37,869	12,347
Insurance	78,977	78,977	78,978	(1)
Miscellaneous	500	500	50	450
Operations, Services	484,505	453,694	439,419	14,275
Transfers - Interfund	98,646	129,457	129,457	-
Community Improvement	\$ 1,826,791	\$ 1,826,791	\$ 1,732,141	\$ 94,650

(continued)

CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXXIII

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	\$ 1,190,385	\$ 1,190,385	\$ 1,130,109	\$ 60,276
Materials and Supplies	43,375	42,375	28,487	13,888
Insurance	17,462	17,462	17,462	-
Miscellaneous	5,300	5,300	1,183	4,117
Operations, Services	65,900	66,900	29,804	37,096
Transfers - Interfund	140,444	140,444	140,444	-
Municipal Court	1,462,866	1,462,866	1,347,489	115,377
Personal Service	2,546,806	2,538,806	2,506,986	31,820
Materials and Supplies	80,533	80,433	59,951	20,482
Maintenance and Repairs	675	675	675	-
Insurance	24,544	24,544	24,544	-
Miscellaneous	1,915	1,915	1,655	260
Operations, Services	56,710	64,810	62,931	1,879
Transfers - Interfund	147,432	147,432	147,432	-
Finance	2,858,615	2,858,615	2,804,174	54,441
Personal Service	760,867	664,867	575,393	89,474
Materials and Supplies	39,168	39,168	31,434	7,734
Insurance	9,724	9,724	9,724	-
Miscellaneous	187,947	219,947	211,891	8,056
Operations, Services	2,210,879	2,168,879	2,049,990	118,889
Transfers - Interfund	36,268	142,268	148,703	(6,435)
Economic Development	3,244,853	3,244,853	3,027,135	217,718
Personal Service	7,548,081	7,548,081	7,431,085	116,996
Materials and Supplies	745,259	750,289	747,952	2,337
Maintenance and Repairs	845,447	779,744	745,623	34,121
Insurance	173,066	173,066	173,066	-
Miscellaneous	-	-	4,183	(4,183)
Operations, Services	2,236,904	2,236,624	2,183,475	53,149
Transfers - Interfund	695,616	756,569	785,973	(29,404)
Parks & Recreation	12,244,373	12,244,373	12,071,357	173,016
Personal Service	1,532,946	1,532,946	1,402,788	130,158
Materials and Supplies	47,649	47,649	35,988	11,661
Maintenance and Repairs	907,447	851,676	842,504	9,172
Insurance	22,264	22,264	22,264	-
Miscellaneous	1,503	1,503	1,849	(346)
Operations, Services	1,124,430	1,124,430	1,167,086	(42,656)
Transfers - Interfund	169,672	225,443	225,444	(1)
Facilities Management	3,805,911	3,805,911	3,697,923	107,988
Personal Service	3,625,930	3,603,930	3,529,551	74,379
Materials and Supplies	154,341	158,791	152,740	6,051
Maintenance and Repairs	68,388	63,935	59,412	4,523
Insurance	76,968	76,968	76,968	-
Operations, Services	417,162	416,724	418,435	(1,711)
Transfers - Interfund	980,357	1,002,357	1,002,357	-
Fixed Assets	455,000	455,441	455,361	80
Library	\$ 5,778,146	\$ 5,778,146	\$ 5,694,824	\$ 83,322

(continued)

CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXXIII

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	\$ 271,152	\$ 271,152	\$ 266,588	\$ 4,564
Materials and Supplies	13,900	13,900	2,604	11,296
Maintenance and Repairs	300	300	-	300
Insurance	2,145	2,145	2,145	-
Miscellaneous	4,900	4,900	2,736	2,164
Operations, Services	180,497	180,497	147,086	33,411
Transfers - Interfund	7,739	7,739	7,739	-
Transportation Operations	480,633	480,633	428,898	51,735
Personal Service	984,831	984,831	892,802	92,029
Materials and Supplies	17,800	17,800	20,848	(3,048)
Maintenance and Repairs	640,650	610,650	584,009	26,641
Insurance	14,136	14,136	14,136	-
Miscellaneous	2,450	2,450	2,380	70
Operations, Services	165,979	165,979	118,121	47,858
Transfers - Interfund	289,378	319,378	319,378	-
Traffic Operations	2,115,224	2,115,224	1,951,674	163,550
Operations, Services	735,000	735,000	721,956	13,044
Street Lighting	735,000	735,000	721,956	13,044
Personal Service	24,414,836	24,414,836	24,067,413	347,423
Materials and Supplies	259,486	269,236	273,677	(4,441)
Maintenance and Repairs	216,450	216,450	215,323	1,127
Insurance	297,167	297,167	297,167	-
Miscellaneous	97,365	108,891	108,825	66
Operations, Services	1,046,362	1,037,362	774,806	262,556
Transfers - Interfund	1,755,016	1,764,016	1,758,420	5,596
Fixed Assets	-	-	4,914	(4,914)
Police	28,086,682	28,107,958	27,500,545	607,413
Personal Service	834,445	834,445	883,663	(49,218)
Materials and Supplies	50,384	50,384	100,942	(50,558)
Maintenance and Repairs	14,200	14,200	12,275	1,925
Insurance	17,993	17,993	17,993	-
Operations, Services	422,585	422,585	372,549	50,036
Transfers - Interfund	65,884	65,884	65,884	-
Animal Services	1,405,491	1,405,491	1,453,306	(47,815)
Personal Service	22,334,581	22,334,581	22,256,382	78,199
Materials and Supplies	555,653	520,653	507,469	13,184
Maintenance and Repairs	275,900	263,446	276,950	(13,504)
Insurance	241,535	241,535	241,535	-
Miscellaneous	58,200	137,860	120,522	17,338
Operations, Services	1,272,452	1,254,306	1,269,654	(15,348)
Transfers - Interfund	803,099	890,899	890,899	-
Fixed Assets	80,000	59,050	59,050	-
Fire	\$ 25,621,420	\$ 25,702,330	\$ 25,622,461	\$ 79,869

(continued)

CITY OF DENTON, TEXAS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Exhibit XXXIII

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	\$ 210,057	\$ 210,057	\$ 240,844	\$ (30,787)
Materials and Supplies	1,750	1,750	1,750	-
Insurance	2,626	2,626	2,626	-
Miscellaneous	250,000	250,000	243,642	6,358
Operations, Services	4,056	4,056	3,067	989
Transfers - Interfund	27,323	27,323	27,323	-
Agency Contributions	495,812	495,812	519,252	(23,440)
Personal Service	(679,976)	(1,029,162)	43,539	(1,072,701)
Materials and Supplies	40,000	40,000	40,000	-
Maintenance and Repairs	3,200	3,200	3,978	(778)
Miscellaneous	413,950	220,950	196,884	24,066
Operations, Services	1,442,040	1,578,875	2,097,126	(518,251)
Transfers - Interfund	2,156,601	4,071,981	4,142,719	(70,738)
Miscellaneous/Finance	3,375,815	4,885,844	6,524,246	(1,638,402)
Personal Service	78,209,135	77,703,102	77,590,327	112,775
Materials and Supplies	2,567,815	2,607,597	2,510,389	97,208
Maintenance and Repairs	3,026,441	2,846,536	2,784,084	62,452
Insurance	1,096,417	1,096,417	1,096,418	(1)
Miscellaneous	1,186,909	1,131,865	1,048,485	83,380
Operations, Services	13,561,472	13,127,567	12,963,395	164,172
Transfers - Interfund	8,367,823	11,279,170	11,580,152	(300,982)
Fixed Assets	578,353	514,491	519,325	(4,834)
TOTAL GENERAL FUND	\$ 108,594,365	\$ 110,306,745	\$ 110,092,575	\$ 214,170

