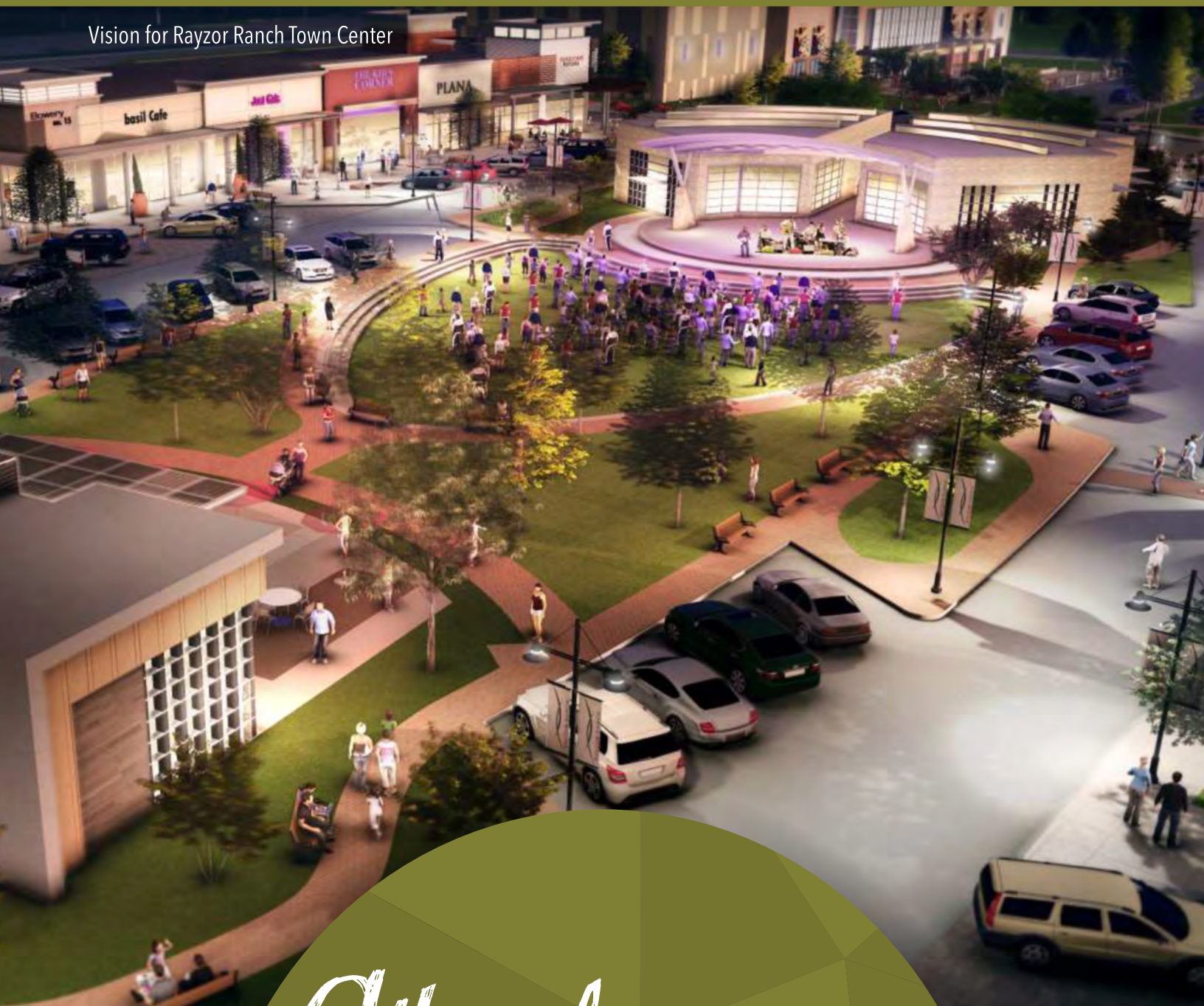


# Comprehensive Annual Financial Report

## Fiscal Year Ending September 30, 2017

Vision for Rayzor Ranch Town Center



City of  
Denton, Texas





## **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.

## ***CORE VALUES***



### **INTEGRITY**

Making sure that with every decision we make, our actions match our values.



### **FISCAL RESPONSIBILITY**

Ensuring that people can trust that we use public funds conscientiously, with the community's best interest in mind.



### **TRANSPARENCY**

Building an environment of trust by interacting with others honestly as well as collecting and sharing clear and concise information.



### **OUTSTANDING CUSTOMER SERVICE**

Employing a holistic approach to problem-solving and providing responsive service that goes above and beyond expectations.

CITY OF DENTON, TEXAS

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2017

CITY MANAGER

Todd Hileman

DEPUTY CITY MANAGER  
AND CHIEF OPERATING OFFICER

Bryan Langley

Prepared by:

Antonio Puente, Jr.  
Director of Finance

Harvey Jarvis  
Controller

Kevin Ann Mullen, CPA  
Assistant Controller

Cody Wood  
Assistant Controller

Mary Dickinson  
Electric Business Manager

Ed Lane, CPA  
Senior Accountant

Kurt Breyfogle  
Senior Accountant

Catherine Bai, CPA  
Senior Accountant

Becky Buck, CPA  
Senior Accountant

Cindy Liang, CPA  
Accountant

Katy Magee, CPA  
Accountant

Lori Allen  
Accountant

Nancy Towle  
Budget Manager

Caroline Finley  
Treasury Administrator

**City of Denton, Texas**  
**Comprehensive Annual Financial Report**  
**For Year Ended September 30, 2017**

**TABLE OF CONTENTS**

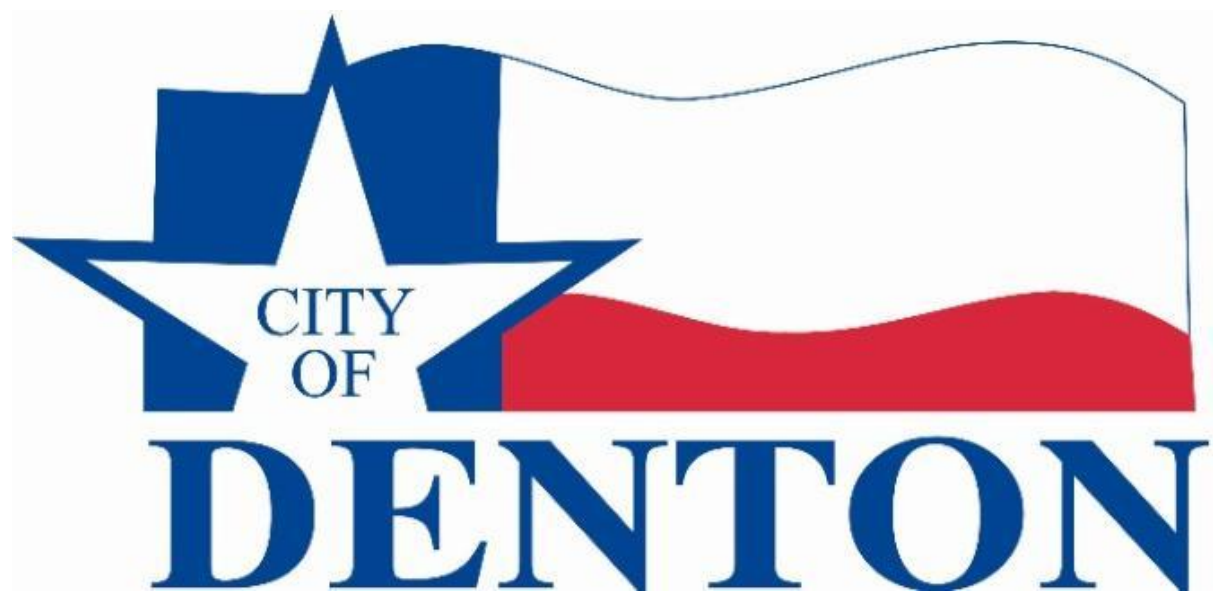
|   | <b>Page</b> |
|---|-------------|
| <b>INTRODUCTORY SECTION (UNAUDITED):</b>  |             |
| Transmittal Letter .....  | i           |
| Organizational Chart.....   | viii        |
| Certificate of Achievement .....  | ix          |
| List of Principal Officials.....  | x           |
| <b>FINANCIAL SECTION:</b>   |             |
| Independent Auditor's Report.....   | 1           |
| Management's Discussion and Analysis .....  | 5           |
| Basic Financial Statements:   |             |
| Government-wide Financial Statements:   |             |
| Statement of Net Position .....   | 15          |
| Statement of Activities.....  | 16          |
| Fund Financial Statements:  |             |
| Governmental Fund Financial Statements:   |             |
| Balance Sheet .....   | 18          |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position....  | 19          |
| Statement of Revenues, Expenditures and Changes in Fund Balances .....  | 20          |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances<br>of Governmental Funds to the Statement of Activities ..... | 21          |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual<br>General Fund.....   | 23          |
| Proprietary Fund Financial Statements:  |             |
| Statement of Net Position.....  | 24          |
| Statement of Revenues, Expenses and Changes in Fund Net Position .....  | 28          |
| Statement of Cash Flows.....  | 30          |
| Agency Fund Financial Statements:   |             |
| Statement of Assets and Liabilities .....   | 32          |
| Notes to Basic Financial Statements .....   | 33          |
| Required Supplementary Information:   |             |
| Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement<br>System – Last Fiscal Year .....                       | 79          |
| Schedule of Changes in Net Pension Liability and Related Ratios – Denton Firemen's Relief<br>and Retirement Fund – Last Fiscal Year .....             | 80          |
| Schedule of Contributions – Texas Municipal Retirement System – Last Ten Fiscal Years .....   | 81          |
| Schedule of Contributions – Denton Firemen's Relief and Retirement Fund – Last Ten Fiscal Years .....   | 82          |
| Schedule of Other Postemployment Benefits – Funding Progress and Contributions –<br>Last Three Valuation Years .....                                  | 83          |
| Combining and Individual Fund Financial Statements and Schedules:   |             |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:   |             |
| Debt Service Fund .....   | 85          |
| Combining Balance Sheet – Nonmajor Governmental Funds.....  | 88          |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances<br>Nonmajor Governmental Funds.....  | 90          |



**City of Denton, Texas**  
**Comprehensive Annual Financial Report**  
**For Year Ended September 30, 2017**

**TABLE OF CONTENTS**  
**(Continued)**

|  | <b>Page</b> |
|--|-------------|
| <b>FINANCIAL SECTION (continued):</b>  |             |
| Combining and Individual Fund Financial Statements and Schedules (continued):                |             |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:          |             |
| Recreation.....  | 92          |
| Police Confiscation .....  | 93          |
| Tourist and Convention.....  | 94          |
| Street Improvement Fund.....   | 95          |
| Gas Well Revenues Fund .....   | 96          |
| Citizens’ Park Trust.....  | 97          |
| Combining Statement of Net Position – Internal Service Funds.....                            | 100         |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position -                 |             |
| Internal Service Funds .....   | 102         |
| Combining Statement of Cash Flows – Internal Service Funds.....                              | 104         |
| Combining Statement of Changes in Assets and Liabilities – Agency Funds .....                | 106         |
| Capital Assets Used in the Operation of Governmental Funds:                                  |             |
| Comparative Schedules by Source .....  | 107         |
| Schedule by Function and Activity .....  | 108         |
| Schedule of Changes by Function and Activity .....   | 109         |
| <b>STATISTICAL SECTION (UNAUDITED):</b>  |             |
| <b>Table</b>   |             |
| 1 Net Position by Component .....  | 112         |
| 2 Changes in Net Position .....  | 114         |
| 3 Fund Balances of Governmental Funds .....  | 118         |
| 4 Changes in Fund Balances of Governmental Funds.....  | 120         |
| 5 Assessed Value and Estimated Actual Value of Taxable Property .....                        | 122         |
| 6 Property Tax Rates (Per \$100 of Assessed Value) – Direct and Overlapping Governments..... | 124         |
| 7 Principal Property Taxpayers .....   | 126         |
| 8 Property Tax Levies and Collections .....  | 128         |
| 9 Ratio of Outstanding Debt by Type.....   | 130         |
| 10 Ratio of General Bonded Debt Outstanding.....   | 132         |
| 11 Direct and Overlapping Governmental Activities Debt .....                                 | 133         |
| 12 Pledged Revenue Coverage.....   | 134         |
| 13 Demographic and Economic Statistics .....   | 136         |
| 14 Principal Employers .....   | 137         |
| 15 Full-Time Equivalent City Government Employees by Function/Program .....                  | 138         |
| 16 Operating Indicators by Function/Program .....  | 140         |
| 17 Capital Asset Statistics by Function/Program .....  | 142         |
| <b>OTHER SUPPLEMENTAL INFORMATION:</b>   |             |
| Schedule of Expenditures – Budget and Actual – General Fund .....                            | 145         |







March 2, 2018

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, 2017. 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, 2017.

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, and is based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. 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, 2017. 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 Uniform Guidance. 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 98.818 square miles and has an estimated population of 124,988. 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

### **OUR CORE VALUES**

Integrity • Fiscal Responsibility • Transparency • Outstanding Customer Service

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.

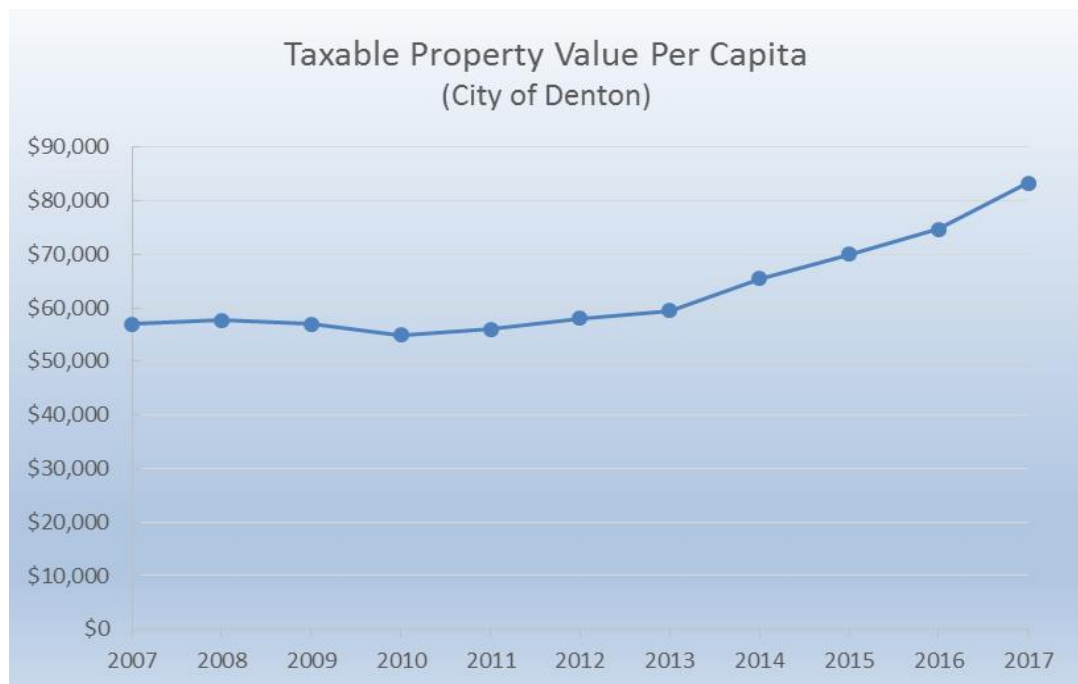
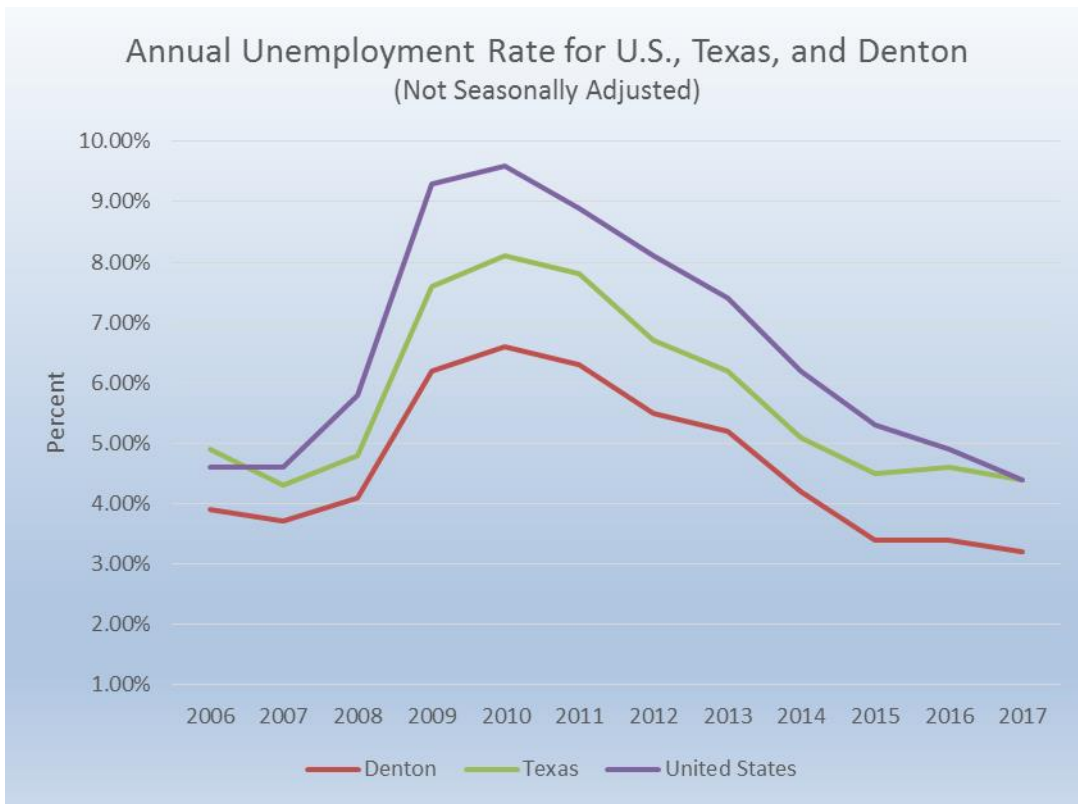
The internal service operations consist of the Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services, and Technology Services funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. 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 5.61% over the last 10 years. Recently, the City's tax base grew by 8.54% in FY 2015-16, 8.38% in FY 2016-17 and 13.57% in FY 2017-18. After property tax revenues, the second largest source of revenue in the General Fund is sales tax. Representing approximately 33% 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 2016-17, total sales tax revenues equaled \$36,841,137, which is \$4,216,840 or 12.9%, more than the prior year collections of \$32,624,297. For FY 2017-18, sales tax collections are conservatively budgeted to decrease by 1.8% over FY 2016-17 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 annual unemployment average rate remains below state and national levels at 3.2 percent in 2017 which is a 0.2 decrease from 2016. The City of Denton has issued 927 new residential and commercial building permits for calendar year 2017, with an estimated value of \$515 million on all 2017 permits. This compares to a total of 618 commercial and residential permits issued for calendar year 2016 and an estimated value of \$388 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.



Fiscal year 2016-17 brought exciting news in economic development. Listed below are just a few of the highlights:

- 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. The southern portion of this development continues to expand with new tenants under construction such as Alamo Drafthouse, Rooms To Go, Andy B's Entertainment and Bowling Center, Cheddars Scratch Kitchen and Zoës Kitchen. These new tenants join WinCo Foods, Chili's, Raising Canes, Chipotle, Firehouse Subs, Sleep Number Beds, Luxe Nail Salon and In-N-Out Burger. These new and existing tenants join with the Embassy Suites Hotel and convention center described in more detail in the next paragraph.
- O'Reilly Hotel Partners Denton (OHPD) opened the 70,000-square-foot convention center, 300-room Embassy Suites Hotel, and Houlihan's restaurant project in January, 2018. As a major anchor for the Rayzor Ranch Town Center, the project will capitalize on the planned shopping, entertainment, and restaurants located nearby. The privately managed convention center is expected to expand the City's convention business and overall tourism industry.
- The City's airport is expanding by adding a 5,000 foot long, 75-foot wide second runway. This project is funded by the City and a grant by the Texas Department of Transportation – Aviation Division. The runway is expected to begin construction in April, 2018 and be completed in nine months. This will significantly expand the capacity of the Denton airport which is currently the seventh busiest airport in Texas and the number one general aviation airport in the state.
- The North Central Texas College (NCTC) is moving forward with plans to open a new campus location in downtown Denton. The planned facility would be approximately 45,000 square feet with classrooms for 2,500 students. The plans also include a four-story parking garage with 350 spaces. NCTC has a partnership with the University of North Texas and Texas Woman's University that allows students to transfer without losing credits and also gives student the opportunity to be concurrently enrolled at all three institutions.
- The City has entered into a new and exciting agreement for management of Stoke, Denton's coworking space housed in a downtown transit-oriented mixed use development. Stoke is an economic development project of the City of Denton which is designed to support local entrepreneurship and technological innovation. The new manager is Hickory & Rail Ventures, LLC run by a local Denton entrepreneur who also cofounded a satellite software company. The new management company has partnerships with the University of North Texas as well as investor networks for local entrepreneurs.
- WinCo Foods, an employee owned supermarket company with stores in eight states in the western U.S., has constructed and occupied an 850,000-square-foot regional distribution facility in Denton's Westpark Industrial Park. This facility employs approximately 165 employees and has an annual payroll of about \$7.2 million.

### **LONG-TERM FINANCIAL PLANNING**

In conjunction with this document, interested parties are encouraged to read the City of Denton's FY 2017-18 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](http://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 \$31.8 million, or 26.7%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2017.

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 2016-17.

## **MAJOR INITIATIVES**

In FY 2016-17, the City continued to emphasize street maintenance and repair activities as funding in the Street Improvement Fund was increased by \$1,850,360. This additional funding was used for an additional five member street maintenance crew and equipment, as well as additional funding for base failure maintenance, overlay materials, and micro seal activities. 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 2016-17 General Fund budget included \$2,641,808 in funding enhancements for public safety programs. These enhancements included the funding of a new medic unit (six new personnel) at Fire Station 8, breathing apparatus replacements and a Fire Training Captain position. Funding was also included in the Police Department for the addition of one Lieutenant, four Patrol Officers, two Motorcycle Officers, five additional 9-1-1 dispatchers, and an additional position in the animal services division.

Employee compensation remained a continuing priority for FY 2016-17 with an average 3% merit increase provided to all employees along with eligible step increases for all police and fire civil service personnel. Another major funding priority was \$813,045 of one-time capital expenditures from the Traffic Safety Fund. These expenditures included the replacement of one traffic signal, additional downtown sidewalk improvements, intersection radar detection equipment, traffic signal pre-emption improvements and ADA intersection improvements for five pedestrian crossings.

## 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, 2016, for the thirty second 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 2016-17 Annual Budget for the thirty first 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 2017-18 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

In 2017, the City's Purchasing Department earned the Excellence in Procurement Award from the National Purchasing Institute, Inc. (NPI) for the nineteenth 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

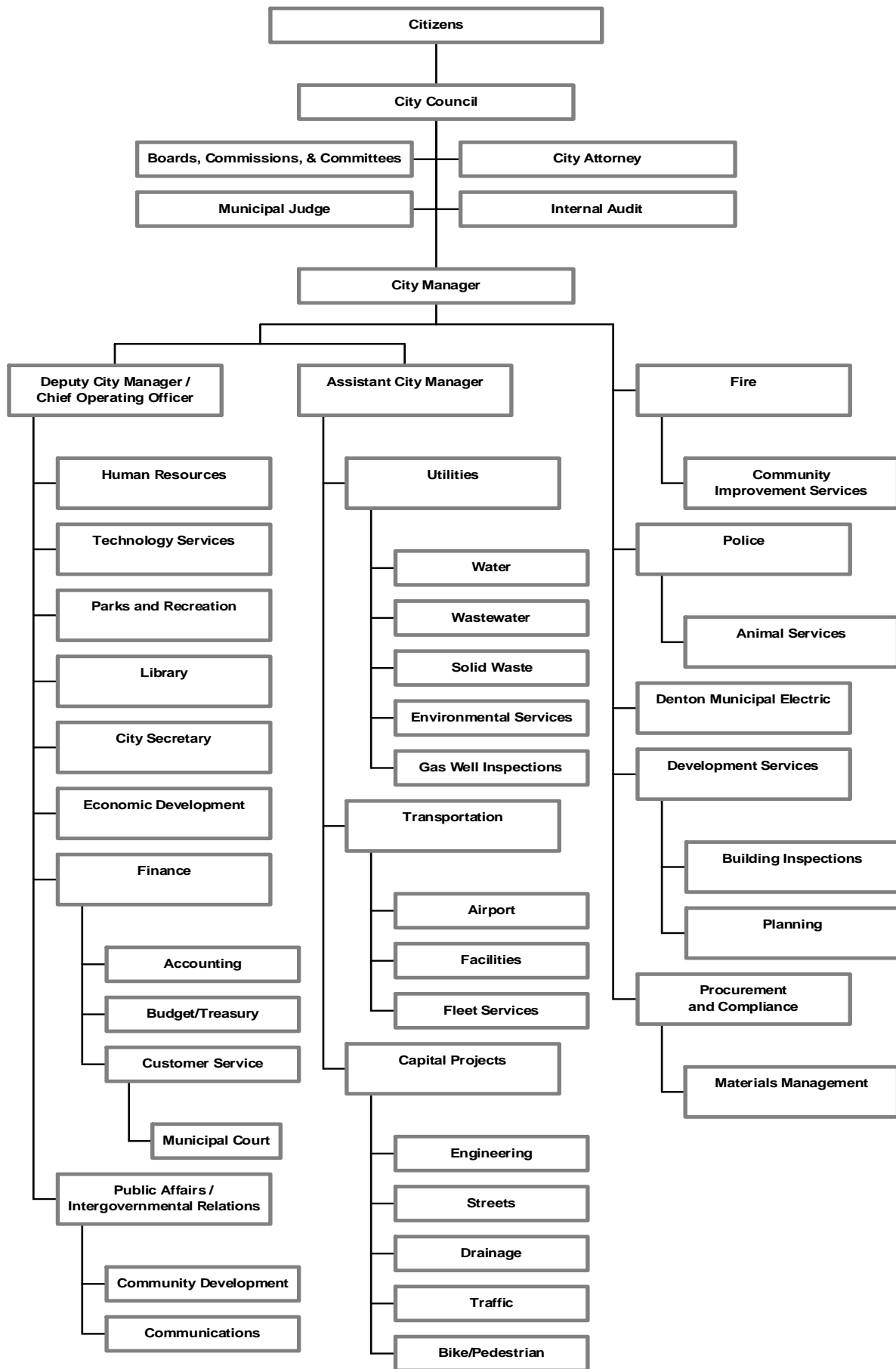


Antonio Puente, Jr.  
Director of Finance





# Current Organizational Chart





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, 2016**

*Christopher P. Morill*

Executive Director/CEO

## **CITY OF DENTON, TEXAS**

### **List of Principal Officials**

#### *ELECTED OFFICIALS*

| <b>Title</b>                                   | <b>Name</b>     |
|--|-----------------|
| Mayor  | Chris Watts     |
| Councilmember, District 1                      | Gerard Hudspeth |
| Councilmember, District 2                      | Keely G. Briggs |
| Councilmember, District 3                      | Don Duff        |
| Councilmember, District 4                      | John Ryan       |
| Councilmember, At Large Place 5                | Dalton Gregory  |
| Councilmember, At Large Place 6, Mayor Pro Tem | Sara Bagheri    |

#### *CITY OFFICIALS*

| <b>Title</b>                                  | <b>Name</b>      |
|---|------------------|
| City Manager                                  | Todd Hileman     |
| Deputy City Manager / Chief Operating Officer | Bryan Langley    |
| Assistant City Manager                        | Mario Canizares  |
| City Attorney                                 | Aaron Leal       |
| Municipal Judge                               | Robin Ramsay     |
| City Secretary                                | Jennifer Walters |



## INDEPENDENT AUDITORS' REPORT

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

### *Management's Responsibility for the Financial Statements*

The City of Denton, Texas' 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.

### *Auditors' Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas, as of September 30, 2017, 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 the 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 fund financial statements and schedules and the capital assets schedules are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund 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, 2018 on our consideration of the 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 the City of Denton, Texas' internal control over financial reporting and compliance.

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

Waco, Texas  
March 2, 2018





**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2017**

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, 2017 by \$832,938,794 (net position). Of this amount, \$138,682,191 (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 \$57,055,549 in fiscal year 2017.
- As of September 30, 2017, the City's governmental funds reported combined fund balances of \$141,964,748, an increase of \$17,214,949 in comparison with the prior fiscal year. Compared to the prior year, revenues were higher by \$16.2 million due primarily to higher property tax of \$5.5 million, sales tax of \$4.2 million, franchise fees of \$1.6 million, intergovernmental revenues of \$4.4 million, investment revenue of \$0.3 million, and miscellaneous revenue of \$1.0 million. The higher revenues were offset by lower fees for service of \$0.5 million, and fines and forfeitures of \$0.4 million. Expenditures reflect higher costs for public safety of \$2.1 million, higher costs for general government of \$0.3 million, higher costs for parks and recreation of \$0.2 million, higher cost for public works expenses of \$4.3 million, and higher capital expenditures of \$13.2 million. Total expenditures of the City's combined governmental funds are \$20.6 million higher than the prior year. New proceeds from the issuance of long-term debt added \$33.4 million in new funding. Net transfers decreased by \$0.7 million, from \$1.6 million in fiscal year 2016, to \$0.9 million in fiscal year 2017. Approximately 20.3% of the \$141,964,748, or \$28,828,396, is available for spending at the government's discretion (unassigned fund balance)
- The City's total noncurrent liabilities, including other noncurrent liabilities, increased by \$301,101,497 during the fiscal year. The primary reasons for the changes are the issuance of \$29.1 million of general obligation refunding and improvement bonds, \$90.8 million of certificates of obligation, and the issuance of \$214.9 million of utility revenue bonds, offset by the normal pay down of general obligation bonds and certificates of obligation of \$46.0 million. The general obligation refunding bonds refunded \$13.0 million of general obligation bonds. In addition to issuance and pay down of debt, the City's total noncurrent liabilities for pensions decreased by \$1.5 million while other post-employment benefit obligations increased by \$2.7 million. Additional information on the City's long-term debt can be found in note IV. G. on pages 53 - 57 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.

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

**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

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 the 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**

|  | <b>Government-wide<br/>Statements</b>  | <b>Fund Statements</b>   |   |
|--|--|--|---|
|  |  | <b>Governmental Funds</b>  | <b>Proprietary Funds</b>  |
| 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<br>Statement of activities                               | Balance Sheet<br>Statement of revenues, expenditures and changes in fund balances  | Statement of net position<br>Statement of revenues, expenses and changes in net position<br>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 or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid  |

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

**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

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.

**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 - 78 of this report.

**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As of September 30, 2017, the City's combined net position were \$832,938,794, of which \$173,429,494 can be attributed to governmental activities and \$659,509,300 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 (80.2%) 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             |                   |
|---|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|   | 2017                    | 2016              | 2017                     | 2016              | 2017              | 2016              |
| Current and other assets                        | \$ 268,812              | \$ 228,329        | \$ 541,416               | \$ 411,484        | \$ 810,228        | \$ 639,813        |
| Capital assets, net of accumulated depreciation | 266,657                 | 237,091           | 1,081,445                | 867,834           | 1,348,102         | 1,104,925         |
| Total assets                                    | <u>535,469</u>          | <u>465,420</u>    | <u>1,622,861</u>         | <u>1,279,318</u>  | <u>2,158,330</u>  | <u>1,744,738</u>  |
| Deferred outflows of resources                  | 26,540                  | 31,094            | 15,437                   | 17,949            | 41,977            | 49,043            |
| Long-term liabilities outstanding               | 246,484                 | 223,907           | 883,259                  | 604,736           | 1,129,743         | 828,643           |
| Other liabilities                               | 137,843                 | 114,351           | 95,004                   | 71,384            | 232,847           | 185,735           |
| Total liabilities                               | <u>384,327</u>          | <u>338,258</u>    | <u>978,263</u>           | <u>676,120</u>    | <u>1,362,590</u>  | <u>1,014,378</u>  |
| Deferred inflows of resources                   | 4,253                   | 2,830             | 526                      | 690               | 4,779             | 3,520             |
| Net position:                                   |                         |                   |                          |                   |                   |                   |
| Net investment in capital assets                | 165,408                 | 145,310           | 502,801                  | 460,330           | 668,209           | 605,640           |
| Restricted                                      | 14,531                  | 13,737            | 11,516                   | 8,892             | 26,047            | 22,629            |
| Unrestricted                                    | (6,510)                 | (3,621)           | 145,192                  | 151,235           | 138,682           | 147,614           |
| Total net position                              | <u>\$ 173,429</u>       | <u>\$ 155,426</u> | <u>\$ 659,509</u>        | <u>\$ 620,457</u> | <u>\$ 832,938</u> | <u>\$ 775,883</u> |

Governmental activities increased the City's net position by \$18,003,463. Business-type activities increased the City's net position by \$39,052,086. The key elements of these increases are contained in Table 2.

**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

Table 2  
Changes in Net Position  
(in thousands)

|   | Governmental<br>Activities |            | Business-type<br>Activities |            | Total      |            |
|---|----------------------------|------------|-----------------------------|------------|------------|------------|
|   | 2017                       | 2016       | 2017                        | 2016       | 2017       | 2016       |
| Revenues:                                 |                            |            |                             |            |            |            |
| Program Revenues:                         |                            |            |                             |            |            |            |
| Charges for services                      | \$ 19,334                  | \$ 21,841  | \$ 282,063                  | \$ 268,793 | \$ 301,397 | \$ 290,634 |
| Operating grants and contributions        | 4,668                      | 2,856      | -                           | -          | 4,668      | 2,856      |
| Capital grants and contributions          | 17,180                     | 5,885      | 20,348                      | 7,705      | 37,528     | 13,590     |
| General Revenues:                         |                            |            |                             |            |            |            |
| Property tax                              | 64,349                     | 58,788     | -                           | -          | 64,349     | 58,788     |
| Sales tax                                 | 36,841                     | 32,624     | -                           | -          | 36,841     | 32,624     |
| Franchise tax                             | 24,211                     | 22,659     | -                           | -          | 24,211     | 22,659     |
| Hotel occupancy tax                       | 2,374                      | 2,243      | -                           | -          | 2,374      | 2,243      |
| Beverage tax                              | 618                        | 597        | -                           | -          | 618        | 597        |
| Bingo tax                                 | 14                         | 19         | -                           | -          | 14         | 19         |
| Investment Income                         | 1,330                      | 1,020      | 3,472                       | 2,010      | 4,802      | 3,030      |
| Miscellaneous                             | 2,234                      | 1,586      | 384                         | 1,198      | 2,618      | 2,784      |
| Total revenues                            | 173,153                    | 150,118    | 306,267                     | 279,706    | 479,420    | 429,824    |
| Expenses:                                 |                            |            |                             |            |            |            |
| General government                        | 40,762                     | 33,847     | -                           | -          | 40,762     | 33,847     |
| Public safety                             | 68,547                     | 63,118     | -                           | -          | 68,547     | 63,118     |
| Public works                              | 24,994                     | 24,557     | -                           | -          | 24,994     | 24,557     |
| Parks and recreation                      | 16,793                     | 16,044     | -                           | -          | 16,793     | 16,044     |
| Interest on long-term debt                | 4,971                      | 4,665      | -                           | -          | 4,971      | 4,665      |
| Electric                                  | -                          | -          | 174,901                     | 145,964    | 174,901    | 145,964    |
| Water                                     | -                          | -          | 28,203                      | 26,001     | 28,203     | 26,001     |
| Wastewater                                | -                          | -          | 26,730                      | 23,921     | 26,730     | 23,921     |
| Solid waste                               | -                          | -          | 34,533                      | 29,435     | 34,533     | 29,435     |
| Airport                                   | -                          | -          | 1,931                       | 2,537      | 1,931      | 2,537      |
| Total expenses                            | 156,067                    | 142,231    | 266,298                     | 227,858    | 422,365    | 370,089    |
| Increase in net position before transfers | 17,086                     | 7,887      | 39,969                      | 51,848     | 57,055     | 59,735     |
| Transfers                                 | 917                        | 1,184      | (917)                       | (1,184)    | -          | -          |
| Increase in net position                  | 18,003                     | 9,071      | 39,052                      | 50,664     | 57,055     | 59,735     |
| Net position at beginning of year         | 155,426                    | 146,355    | 620,457                     | 569,793    | 775,883    | 716,148    |
| Net position at end of year               | \$ 173,429                 | \$ 155,426 | \$ 659,509                  | \$ 620,457 | \$ 832,938 | \$ 775,883 |

**Governmental activities.** Expenses for the governmental activities reflects an increase of \$6.9 million in general government, an increase of \$5.4 million in public safety, a \$0.4 million increase in public works, and a \$0.7 million increase in parks and recreation. The most significant governmental activities expense was in providing public safety, which incurred expenses of \$68,546,557. The most significant portion of public safety is the cost of personnel, which totaled \$54,136,532. Governmental activities expense also includes general government, which incurred \$40,761,972 in expenses, of which \$17,008,730 represented personnel charges.

These expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are \$64,348,754 for the fiscal year ended September 30, 2017. The \$10.6 million increase in the governmental program revenues are mainly due to an increase of \$10.4 million in capital grants and contributions for public works and a \$1.1 million increase for parks and recreations, offset by charges for services decrease of

**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

\$0.7 million for General government, \$1.1 million decreased for public safety and a decreased \$0.9 million for parks and recreation. Total operating grants and contributions increased by \$1.8 million for general government, public safety and parks and recreation. Governmental general revenues included an increase of \$5.6 million for property tax due to rising values and an increase of \$4.2 million for sales tax due to an improving economy. Transfers reflect a \$0.9 transfer into governmental activities for the current year as compared to a transfer in of \$1.1 million for the prior fiscal year.

**Business-type activities.** Business-type activities increased the City's net position by \$39,052,086, accounting for 68.4% of the growth in the entity-wide net position. All Utility service revenues increased by a total of \$12.6 million. Electric charges for services increased by \$5.9 million. Water charges for services increased by \$2.9 million as compared to the service charges from prior year. Wastewater charges provided \$1.2 million of the increase. Solid Waste charges for service provided an additional \$2.5 million. Airport charges for goods and services increased by \$0.2 million as compared to service charges from the prior year. Water and Wastewater collected \$5.0 million and \$2.4 million in impact fees, respectively, reflecting a \$0.1 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, Wastewater, and Airport during the current fiscal year, producing an additional \$12.6 million in revenue compared to the prior year. The Airport gas well revenues contributed an additional \$0.6 million to the increase in net position, an increase of \$0.1 million from the prior year. Total enterprise funds operating costs, before depreciation, increased by \$21.4 million. Electric expenses reflect an increase of costs related to purchase power costs of \$15.0 million and administrative cost of \$1.0 million. Water expenses reflect \$0.5 million in increased costs for personal services and \$0.2 million for repairs and \$0.1 million for administrative costs. Wastewater expenses reflect an increase for materials and supplies of \$0.2 million, and administrative costs of \$0.1 million. Solid Waste operations expenses reflect an increased costs for personal services of \$0.8 million, administrative costs of \$0.1 million, and closure/post closure costs of \$2.2 million due to a new engineering study of the closure costs associated with the landfill expansion. Airport operations expenses reflect a \$0.5 million decrease in debt service costs and a \$0.1 million decrease in personnel 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 \$142.0 million, an increase of \$17.2 million in comparison with the prior year. Approximately \$28.8 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 (\$89.8 million), committed (\$8.5 million), and assigned (\$14.8 million).

The General Fund is the chief operating fund of the City. At September 30, 2017, the unassigned fund balance of the General Fund was \$31.8 million, or 26.7% of budgeted general fund expenditures. The General Fund's ending fund balance increased by \$3.6 million during the current fiscal year. The change in fund balance is due to expenditures, including other financing uses, of \$106.9 million, and revenues, including other financing sources, of \$110.5 million. Revenues were \$8.0 million higher compared to the previous year primarily due to increased taxes of \$7.7 million, intergovernmental revenues of \$0.1 million, and investment revenue of \$0.1 million. The net change in expenditures was \$5.2 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 \$1.9 million, of which public safety accounted for all of the personnel costs. The increased operations costs of \$1.0 million over the prior year is related to an increase of general government in the amount

**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

of \$0.7 million, public safety in the amount of \$0.2 million, and public works in the amount of \$0.1 million. The increased transfers out of \$0.5 is due to 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 20 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 \$89.4 million, an increase of \$14.2 million. The total fund balance is made up of \$74.5 million in restricted funds and \$14.8 million in assigned funds, all for capital construction and acquisition. In 2017, the City received \$35.9 million of proceeds from the issuance of debt and recognized \$5.6 million of regional toll revenues from the Texas Department of Transportation, while expending \$36.8 million on construction and acquisition. In addition, the capital projects fund received \$0.6 million in interest income, \$0.1 million from the sale of fixed assets and insurance recoveries, and \$9.1 million of transfers from other funding sources. The City also received approximately \$5.9 million more in developer's contributed capital than in the prior year for a total of \$9.4 million recorded in the government-wide financial statements.

The debt service fund has a total fund balance of \$5.4 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 \$0.5 million resulted from an increase of \$2.0 million in tax revenue offset by an increase of \$1.5 million in principal and interest costs. Additional amounts include a reduction from the prior year of a \$1.5 million of premiums on debt issuance, a reduction of \$1.5 million in the refunding bonds issued and the payments to refunded bond escrow agent, and a reduction of transfers in 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, 2017 in proprietary funds are \$47.8 million for Electric, \$44.9 million for Water, \$38.0 million for Wastewater, \$2.8 million for Solid Waste, and \$2.9 million for the Airport Fund. The results reflect an decrease of the unrestricted net position in the Electric Fund of \$15.0 million, while increases were reflected in the Water fund of \$4.7 million, the Wastewater fund of \$6.0 million, the Solid Waste fund of \$0.6 million, and a the Airport fund of \$0.1 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 2017, three 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 additional funds increased the General Fund by \$4.6 million, the Electric Fund for higher power purchase costs by \$13.0 million, the Downtown Reinvestment Fund and the Library Donation Fund by \$20,000 each, and the Tourist and Convention Fund by \$0.2 million.

## **GENERAL FUND BUDGET TO ACTUAL HIGHLIGHT**

For fiscal year 2017, General Fund actual expenditures (including transfers) on a budgetary basis were \$115.2 million compared to the final budget of \$119.0 million. The \$3.8 million positive expenditure variance was primarily due to reduced costs of \$2.7 million in personnel, \$0.3 million in materials, \$0.1 in maintenance and \$0.7 million in insurance costs.



**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

The personnel savings is due to reduced costs of \$0.5 million in general government, \$1.5 million in public safety, \$0.1 million in public works and \$0.6 million in parks and recreation. In addition to personnel savings, general government, public safety, and parks and recreation also saw a combined reduced costs of \$0.7 million in insurance costs. Parks and recreation experienced additional reduced costs of \$0.3 million in materials and repair costs. General government experienced a positive \$0.1 variance of lower than budgeted transfers out.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were \$118.8 million compared to the final budget of \$114.4 million. Of the \$4.4 million revenue variance, approximately \$4.0 million of the positive revenue variance is due to greater than budgeted sales tax revenue, a \$0.6 million positive revenue variance for ad valorem tax, a \$0.3 million negative revenue variance for fees for service, a \$0.5 million negative revenue variance for fines and forfeitures, a \$0.2 million negative revenue variance for franchise fees, and a \$0.4 million positive revenue variance for miscellaneous revenues.

The City of Denton's General Fund unassigned fund balance at September 30, 2017 is \$31.8 million, or 26.7% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2017 unassigned fund balance.

|                                  | Actual<br>9/30/2017                          | Actual<br>9/30/2016                          |
|----------------------------------|--|--|
| Unassigned balance               | \$31,770,773                                 | \$28,070,483                                 |
| % of total budgeted expenditures | 26.7%  | 25.4%  |
| Policy level                     | 20% plus up to<br>a 5% resiliency<br>reserve | 20% plus up to<br>a 5% resiliency<br>reserve |

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 8.23% compared to the prior year certified value, which showed an increase of 8.54%. The current property tax year included \$208.4 million of new growth and construction that was added to the tax rolls in Tax year 2016 as compared to Tax year 2015. The fiscal year 2017 ad valorem tax rate decreased to \$0.68334 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 2017, the City had \$1,348,101,996 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 \$243,177,803 or 22.0% over the prior fiscal year.

**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

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

|                                | Governmental Activities |                   | Business-type Activities |                   | Totals              |                     |
|--------------------------------|-------------------------|-------------------|--------------------------|-------------------|---------------------|---------------------|
|                                | 2017                    | 2016              | 2017                     | 2016              | 2017                | 2016                |
| Land                           | \$ 21,679               | \$ 16,511         | \$ 29,413                | \$ 27,182         | \$ 51,092           | \$ 43,693           |
| Landfill improvements          | -                       | -                 | 3,712                    | 5,336             | 3,712               | 5,336               |
| Building and improvements      | 40,172                  | 35,182            | 16,009                   | 12,439            | 56,181              | 47,621              |
| Plant, machinery and equipment | 40,691                  | 35,278            | 263,292                  | 195,463           | 303,983             | 230,741             |
| Water rights                   | -                       | -                 | 50,135                   | 50,831            | 50,135              | 50,831              |
| Infrastructure                 | 107,434                 | 94,165            | 363,451                  | 339,628           | 470,885             | 433,793             |
| Construction in progress       | 56,681                  | 55,955            | 355,433                  | 236,955           | 412,114             | 292,910             |
| Total capital assets           | <u>\$ 266,657</u>       | <u>\$ 237,091</u> | <u>\$ 1,081,445</u>      | <u>\$ 867,834</u> | <u>\$ 1,348,102</u> | <u>\$ 1,104,925</u> |

This year's major asset additions included:

| Description                             | Amount               |
|---|----------------------|
| McKinney Substation                     | \$ 15,069,268        |
| Pockrus Substation                      | 12,091,068           |
| Westpark Infrastructure                 | 6,535,766            |
| Linda McNatt Animal Shelter             | 5,658,879            |
| Eagle Drive Improvements                | 4,531,773            |
| Pecan Creek Interceptor Phase III       | 3,266,259            |
| Country Lake Subdivision Infrastructure | 3,096,436            |
| Highway 380 Utility Relocations         | 2,917,375            |
| Ryan Meadows Subdivision Infrastructure | 2,841,309            |
| Fire Station Land                       | 2,779,080            |
| Total                                   | <u>\$ 58,787,213</u> |

Additional information on the City's capital assets can be found in note IV. D. on pages 48 - 50 of this report.

**Debt.** At year-end, the City had \$977.7 million in bonds and notes outstanding as compared to \$701.9 million at the end of the prior fiscal year, an increase of 39.3%, as shown in Table 4.

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

|                            | Governmental Activities |                   | Business-type Activities |                   | Totals            |                   |
|----------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|                            | 2017                    | 2016              | 2017                     | 2016              | 2017              | 2016              |
| General obligation bonds   | \$ 118,268              | \$ 109,861        | \$ 127,677               | \$ 141,064        | \$ 245,945        | \$ 250,925        |
| Certificates of obligation | 49,285                  | 34,565            | 467,620                  | 416,465           | 516,905           | 451,030           |
| Revenue bonds              | -                       | -                 | 214,890                  | -                 | 214,890           | -                 |
| Total                      | <u>\$ 167,553</u>       | <u>\$ 144,426</u> | <u>\$ 810,187</u>        | <u>\$ 557,529</u> | <u>\$ 977,740</u> | <u>\$ 701,955</u> |

These amounts do not include net unamortized premiums/ (discounts) of \$80,023,714 or net deferred gain/ (loss) on refunding of (\$6,439,114).

**CITY OF DENTON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

During the current fiscal year, the City issued debt two times, in January 2017 and in May 2017. The January debt issuance resulted in \$214.9 million in utility system revenue bonds to be used to acquire and construct additions and improvements to the City's electric light and power system, including new quick start peak power generation facilities. The May debt issuance resulted in \$90.8 million in certificates of obligation, of which \$73.8 million was for enterprise operations and \$17.0 million for governmental activities, and \$29.1 million in general obligation refunding and improvement bonds which refunded \$13.0 million in general obligation bonds and provided \$17.2 million of new funding for various governmental capital improvements. Normal pay down in debt was \$21.1 million in general obligation bonds and \$24.9 million in certificates of obligation.

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 2.41%.

**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 \$2.5 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 53 - 57 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 2018 Budget includes an Ad valorem tax rate of \$0.637856/\$100 valuation, a decrease of \$0.045484/\$100 in comparison to the prior year. While sales tax increased over the prior year by 12.9%, the fiscal year 2018 Budget projects a decrease of 1.8% over fiscal year 2017 actual sales tax revenues. General Fund expenditure enhancements for fiscal year 2018 include new positions in public safety and transportation while neighbor service and administrative and community services reduced positions. Funding enhancements of \$1.4 million will be budgeted for public safety, \$0.5 million for neighbor services, \$0.1 million for transportation, and \$0.5 million for administrative and community services in fiscal year 2018 in accordance with priorities established through the Strategic Plan.

The fiscal year 2018 budget includes a decrease of 1.0% for the Energy Cost Adjustment (ECA) rate across all electric customer classes. The water, wastewater and solid waste rates have no changes in fiscal year 2018.

#### **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  
AS OF SEPTEMBER 30, 2017

Exhibit I

|  | Primary Government    |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | Governmental          | Business-type         |                       |
|  | Activities            | Activities            | Total                 |
| <b>ASSETS:</b>   |                       |                       |                       |
| <b>Current assets:</b>                                   |                       |                       |                       |
| Cash, cash equivalents and investments,<br>at fair value | \$ 73,260,057         | \$ 184,233,710        | \$ 257,493,767        |
| Receivables, net of allowances:                          |                       |                       |                       |
| Taxes  | 7,512,217             | -                     | 7,512,217             |
| Accounts   | -                     | 12,978,316            | 12,978,316            |
| Unbilled utility service                                 | -                     | 15,430,089            | 15,430,089            |
| Interest   | 316,407               | 811,932               | 1,128,339             |
| Other  | 4,387,573             | 1,770,270             | 6,157,843             |
| Internal balances  | (13,305,658)          | 13,305,658            | -                     |
| Due from other governments                               | 4,184,594             | -                     | 4,184,594             |
| Inventory  | 7,543,184             | -                     | 7,543,184             |
| Prepaid items  | 197,182               | 22,056,236            | 22,253,418            |
| Other Assets   | -                     | 26,930,415            | 26,930,415            |
| Total current assets                                     | <u>84,095,556</u>     | <u>277,516,626</u>    | <u>361,612,182</u>    |
| <b>Noncurrent assets:</b>                                |                       |                       |                       |
| <b>Restricted assets:</b>                                |                       |                       |                       |
| Cash, cash equivalents and investments,<br>at fair value | 183,622,576           | 262,692,264           | 446,314,840           |
| Escrow deposits  | 189,000               | 50,000                | 239,000               |
| Accrued interest   | 816,506               | 1,157,753             | 1,974,259             |
| Other receivables  | 88,573                | -                     | 88,573                |
| <b>Capital assets not being depreciated:</b>             |                       |                       |                       |
| Land   | 21,678,996            | 29,412,602            | 51,091,598            |
| Construction in progress                                 | 56,681,662            | 355,433,364           | 412,115,026           |
| <b>Capital assets, net of accumulated depreciation:</b>  |                       |                       |                       |
| Buildings  | 40,171,941            | 16,009,301            | 56,181,242            |
| Plant, machinery and equipment                           | 40,690,983            | 263,292,164           | 303,983,147           |
| Infrastructure   | 107,433,845           | 363,450,727           | 470,884,572           |
| Landfill improvements                                    | -                     | 3,711,709             | 3,711,709             |
| Water rights   | -                     | 50,134,702            | 50,134,702            |
| Total noncurrent assets                                  | <u>451,374,082</u>    | <u>1,345,344,586</u>  | <u>1,796,718,668</u>  |
| Total assets   | <u>535,469,638</u>    | <u>1,622,861,212</u>  | <u>2,158,330,850</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                       |                       |                       |
| Deferred loss on refundings                              | 2,031,132             | 4,407,982             | 6,439,114             |
| Deferred pension balances                                | 24,508,814            | 11,029,165            | 35,537,979            |
| Total deferred outflows of resources                     | <u>26,539,946</u>     | <u>15,437,147</u>     | <u>41,977,093</u>     |
| <b>LIABILITIES:</b>                                      |                       |                       |                       |
| <b>Current liabilities:</b>                              |                       |                       |                       |
| Accounts payable   | 7,667,479             | 17,587,373            | 25,254,852            |
| Retainage payable  | 33,372                | 11,942                | 45,314                |
| Deposits   | -                     | 4,832,708             | 4,832,708             |
| Accrued interest   | 5,472                 | -                     | 5,472                 |
| Noncurrent liabilities due within one year               | 25,686,936            | 48,489,970            | 74,176,906            |
| Other liabilities  | 366,094               | -                     | 366,094               |
| Unearned revenue   | 95,285,803            | -                     | 95,285,803            |
| <b>Payable from restricted assets:</b>                   |                       |                       |                       |
| Accounts payable   | 6,875,292             | 13,665,241            | 20,540,533            |
| Retainage payable  | 960,173               | 3,155,749             | 4,115,922             |
| Accrued interest   | 962,223               | 7,260,583             | 8,222,806             |
| Total current liabilities                                | <u>137,842,844</u>    | <u>95,003,566</u>     | <u>232,846,410</u>    |
| <b>Noncurrent liabilities:</b>                           |                       |                       |                       |
| Noncurrent liabilities due in more than one year         | 246,484,212           | 883,259,747           | 1,129,743,959         |
| Total noncurrent liabilities                             | <u>246,484,212</u>    | <u>883,259,747</u>    | <u>1,129,743,959</u>  |
| Total liabilities  | <u>384,327,056</u>    | <u>978,263,313</u>    | <u>1,362,590,369</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                       |                       |                       |
| Deferred pension balances                                | 4,253,034             | 525,746               | 4,778,780             |
| Total deferred inflows of resources                      | <u>4,253,034</u>      | <u>525,746</u>        | <u>4,778,780</u>      |
| <b>NET POSITION:</b>                                     |                       |                       |                       |
| Net investment in capital assets                         | 165,408,284           | 502,801,204           | 668,209,488           |
| <b>Restricted for:</b>                                   |                       |                       |                       |
| Debt service   | 4,666,797             | 2,671,250             | 7,338,047             |
| Parks and recreation                                     | 5,760,075             | -                     | 5,760,075             |
| Capital acquisition                                      | -                     | 8,844,957             | 8,844,957             |
| Other grants and purposes                                | 4,104,036             | -                     | 4,104,036             |
| Unrestricted   | (6,509,698)           | 145,191,889           | 138,682,191           |
| Total net position                                       | <u>\$ 173,429,494</u> | <u>\$ 659,509,300</u> | <u>\$ 832,938,794</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, 2017

Exhibit II

| Functions/Programs               | Expenses              | Program Revenues        |  |  |
|----------------------------------|-----------------------|-------------------------|--|--|
|                                  |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Primary government:</b>       |                       |                         |  |  |
| <b>Governmental activities:</b>  |                       |                         |  |  |
| General government               | \$ 40,761,972         | \$ 5,266,777            | \$ 2,568,095                             | \$ 99,345                              |
| Public safety                    | 68,546,557            | 8,773,221               | 1,589,158                                | 170,697                                |
| Public works                     | 24,994,628            | 879,453                 | 16,062                                   | 15,801,701                             |
| Parks and recreation             | 16,792,417            | 4,414,379               | 494,476                                  | 1,108,348                              |
| Interest expense                 | 4,970,968             | -                       | -  | -                                      |
| Total governmental activities    | <u>156,066,542</u>    | <u>19,333,830</u>       | <u>4,667,791</u>                         | <u>17,180,091</u>                      |
| <b>Business-type activities:</b> |                       |                         |  |  |
| Electric system                  | 174,900,860           | 172,027,080             | -  | -                                      |
| Water system                     | 28,202,500            | 41,332,006              | -  | 5,362,783                              |
| Wastewater system                | 26,730,157            | 33,360,603              | -  | 10,298,946                             |
| Solid waste                      | 34,532,856            | 33,847,593              | -  | -                                      |
| Airport                          | 1,930,767             | 1,495,619               | -  | 4,686,160                              |
| Total business-type activities   | <u>266,297,140</u>    | <u>282,062,901</u>      | <u>-</u>                                 | <u>20,347,889</u>                      |
| Total primary government         | <u>\$ 422,363,682</u> | <u>\$ 301,396,731</u>   | <u>\$ 4,667,791</u>                      | <u>\$ 37,527,980</u>                   |

(continued on the following page)

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

CITY OF DENTON, TEXAS  
STATEMENT OF ACTIVITIES (concluded)  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit II

|                                      | Net (Expense) Revenue and Changes in Net Position |                          |                 |
|--------------------------------------|---|--------------------------|-----------------|
|                                      | Primary Government                                |                          |                 |
| Functions/Programs                   | Governmental Activities                           | Business-type Activities | Total           |
| Primary government:                  |   |                          |                 |
| Governmental activities:             |   |                          |                 |
| General government                   | \$ (32,827,755)                                   | \$ -                     | \$ (32,827,755) |
| Public safety                        | (58,013,481)                                      | -                        | (58,013,481)    |
| Public works                         | (8,297,412)                                       | -                        | (8,297,412)     |
| Parks and recreation                 | (10,775,214)                                      | -                        | (10,775,214)    |
| Interest expense                     | (4,970,968)                                       | -                        | (4,970,968)     |
| Total governmental activities        | (114,884,830)                                     | -                        | (114,884,830)   |
| Business-type activities:            |   |                          |                 |
| Electric system                      | -   | (2,873,780)              | (2,873,780)     |
| Water system                         | -   | 18,492,289               | 18,492,289      |
| Wastewater system                    | -   | 16,929,392               | 16,929,392      |
| Solid waste                          | -   | (685,263)                | (685,263)       |
| Airport                              | -   | 4,251,012                | 4,251,012       |
| Total business-type activities       | -   | 36,113,650               | 36,113,650      |
| Total primary government             | (114,884,830)                                     | 36,113,650               | (78,771,180)    |
| General revenues:                    |   |                          |                 |
| Taxes:                               |   |                          |                 |
| Property tax                         | 64,348,754  | -                        | 64,348,754      |
| Sales tax                            | 36,841,137  | -                        | 36,841,137      |
| Franchise fees                       | 24,211,081  | -                        | 24,211,081      |
| Hotel occupancy tax                  | 2,374,221   | -                        | 2,374,221       |
| Beverage tax                         | 617,662   | -                        | 617,662         |
| Bingo tax                            | 13,633  | -                        | 13,633          |
| Investment income                    | 1,330,008   | 3,471,635                | 4,801,643       |
| Gain on sale of capital assets       | 192,583   | 383,741                  | 576,324         |
| Miscellaneous                        | 2,042,274   | -                        | 2,042,274       |
| Transfers                            | 916,940   | (916,940)                | -               |
| Total general revenues and transfers | 132,888,293                                       | 2,938,436                | 135,826,729     |
| Change in net position               | 18,003,463  | 39,052,086               | 57,055,549      |
| Net position at beginning of year    | 155,426,031                                       | 620,457,214              | 775,883,245     |
| Net position at end of year          | \$ 173,429,494                                    | \$ 659,509,300           | \$ 832,938,794  |

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

(concluded)

CITY OF DENTON, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF SEPTEMBER 30, 2017

Exhibit III

|   | General<br>Fund      | Debt Service<br>Fund | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|----------------------|-----------------------------|--------------------------------|--------------------------------|
| <b>ASSETS:</b>  |                      |                      |                             |                                |                                |
| Cash, cash equivalents and investments,<br>at fair value              | \$ 25,829,121        | \$ 5,390,038         | \$ 191,562,019              | \$ 16,139,018                  | \$ 238,920,196                 |
| Receivables, net of allowances<br>for uncollectibles:                 |                      |                      |                             |                                |                                |
| Taxes   | 7,046,871            | 250,675              | -                           | 214,671                        | 7,512,217                      |
| Accrued interest  | 114,667              | 23,756               | 844,263                     | 71,123                         | 1,053,809                      |
| Other   | 3,892,798            | -                    | -                           | 279,703                        | 4,172,501                      |
| Interfund receivables   | 941,038              | -                    | -                           | -                              | 941,038                        |
| Due from other governments  | 687,229              | -                    | -                           | 3,497,365                      | 4,184,594                      |
| Total assets  | <u>\$ 38,511,724</u> | <u>\$ 5,664,469</u>  | <u>\$ 192,406,282</u>       | <u>\$ 20,201,880</u>           | <u>\$ 256,784,355</u>          |
| <b>LIABILITIES:</b>   |                      |                      |                             |                                |                                |
| Accounts payable  | 3,979,882            | 29,977               | 6,807,732                   | 1,399,381                      | 12,216,972                     |
| Retainage payable   | -                    | -                    | 960,174                     | 33,371                         | 993,545                        |
| Interfund payables  | -                    | -                    | -                           | 391,722                        | 391,722                        |
| Other liabilities   | 366,094              | -                    | -                           | -                              | 366,094                        |
| Unearned revenues   | -                    | -                    | 95,262,923                  | 22,880                         | 95,285,803                     |
| Total liabilities   | <u>4,345,976</u>     | <u>29,977</u>        | <u>103,030,829</u>          | <u>1,847,354</u>               | <u>109,254,136</u>             |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                 |                      |                      |                             |                                |                                |
| Unavailable revenue - property taxes                                  | 491,988              | 225,348              | -                           | -                              | 717,336                        |
| Unavailable revenue - general services                                | 1,409,443            | -                    | -                           | -                              | 1,409,443                      |
| Unavailable revenue - intergovernmental                               | 493,544              | -                    | -                           | 2,945,148                      | 3,438,692                      |
| Total deferred inflows of resources                                   | <u>2,394,975</u>     | <u>225,348</u>       | <u>-</u>                    | <u>2,945,148</u>               | <u>5,565,471</u>               |
| <b>FUND BALANCES:</b>   |                      |                      |                             |                                |                                |
| Restricted for:   |                      |                      |                             |                                |                                |
| Debt service  | -                    | 5,409,144            | -                           | -                              | 5,409,144                      |
| Parks and recreation  | -                    | -                    | 4,839,493                   | 5,760,075                      | 10,599,568                     |
| Streets and drainage projects   | -                    | -                    | 51,149,305                  | -                              | 51,149,305                     |
| Other capital projects  | -                    | -                    | 18,544,086                  | -                              | 18,544,086                     |
| Other grants and purposes   | -                    | -                    | -                           | 4,104,036                      | 4,104,036                      |
| Committed to:   |                      |                      |                             |                                |                                |
| Streets   | -                    | -                    | -                           | 1,158,667                      | 1,158,667                      |
| Parks and recreation  | -                    | -                    | -                           | 439,825                        | 439,825                        |
| Other purposes  | -                    | -                    | -                           | 6,889,093                      | 6,889,093                      |
| Assigned to:  |                      |                      |                             |                                |                                |
| Streets and drainage projects   | -                    | -                    | 7,897,077                   | -                              | 7,897,077                      |
| Capital projects  | -                    | -                    | 6,945,492                   | -                              | 6,945,492                      |
| Other purposes  | -                    | -                    | -                           | 59                             | 59                             |
| Unassigned  | 31,770,773           | -                    | -                           | (2,942,377)                    | 28,828,396                     |
| Total fund balances   | <u>31,770,773</u>    | <u>5,409,144</u>     | <u>89,375,453</u>           | <u>15,409,378</u>              | <u>141,964,748</u>             |
| Total liabilities, deferred inflows of<br>resources and fund balances | <u>\$ 38,511,724</u> | <u>\$ 5,664,469</u>  | <u>\$ 192,406,282</u>       | <u>\$ 20,201,880</u>           | <u>\$ 256,784,355</u>          |

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, 2017**

**Exhibit IV**

|  |           |                           |
|--|-----------|---------------------------|
| <b>Total fund balances - governmental funds (Exhibit III)</b>  | <b>\$</b> | <b>141,964,748</b>        |
| <b>Amounts reported for governmental activities in the statement of net position are different because:</b>  |           |                           |
| 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.  |           | 266,657,427               |
| 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 deferred inflows of resources in the funds.   |           | 5,565,471                 |
| Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:   |           |                           |
| Deferred loss on refundings  | \$        | 2,031,132                 |
| Deferred pension balances  |           | 15,828,861                |
| Deferred pension contributions   |           | <u>8,679,953</u>          |
|  |           | 26,539,946                |
| An internal charge to business-type activities is not recorded at the fund level.  |           | (8,754,974)               |
| 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   | \$        | 26,274,552                |
| Liabilities  |           | <u>(11,759,812)</u>       |
|  |           | 14,514,740                |
| 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   | \$        | (118,267,663)             |
| Certificates of obligation payable   |           | (49,285,000)              |
| Bond (premiums)/discounts  |           | (10,994,177)              |
| Accrued interest on the bonds  |           | (967,695)                 |
| Capital leases payable   |           | (498,062)                 |
| Net Pension Liability  |           | (69,602,329)              |
| Other post employment benefits liability   |           | (7,098,785)               |
| Compensated absences   |           | <u>(12,091,119)</u>       |
|  |           | (268,804,830)             |
| Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:  |           |                           |
| Deferred pension balances  |           | <u>(4,253,034)</u>        |
| <b>Total net position of governmental activities (Exhibit I)</b>   | <b>\$</b> | <b><u>173,429,494</u></b> |

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, 2017**

Exhibit V

|  | General<br>Fund      | Debt Service<br>Fund | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|-----------------------------|--------------------------------|--------------------------------|
| <b>REVENUES:</b>   |                      |                      |                             |                                |                                |
| Taxes  | \$ 81,040,432        | \$ 20,132,397        | \$ -                        | \$ 2,991,465                   | \$ 104,164,294                 |
| Licenses and permits   | 3,016,697            | -                    | -                           | -                              | 3,016,697                      |
| Franchise fees   | 13,113,210           | -                    | -                           | 11,097,871                     | 24,211,081                     |
| Fines and forfeitures  | 3,646,487            | -                    | -                           | 2,392,914                      | 6,039,401                      |
| Fees for services  | 7,417,774            | -                    | -                           | 2,977,392                      | 10,395,166                     |
| Investment revenue   | 371,305              | 189,707              | 642,054                     | 126,942                        | 1,330,008                      |
| Intergovernmental  | 1,026,313            | -                    | 6,147,053                   | 2,474,611                      | 9,647,977                      |
| Miscellaneous  | 534,705              | -                    | 447,030                     | 1,400,973                      | 2,382,708                      |
| Total revenues   | <u>110,166,923</u>   | <u>20,322,104</u>    | <u>7,236,137</u>            | <u>23,462,168</u>              | <u>161,187,332</u>             |
| <b>EXPENDITURES:</b>   |                      |                      |                             |                                |                                |
| Current:   |                      |                      |                             |                                |                                |
| General government   | 27,131,242           | -                    | 457,153                     | 3,742,362                      | 31,330,757                     |
| Public safety  | 57,921,901           | -                    | 112,966                     | 3,121,827                      | 61,156,694                     |
| Public works   | 2,983,128            | -                    | 420,782                     | 12,467,894                     | 15,871,804                     |
| Parks and recreation   | 11,893,750           | -                    | 68,297                      | 2,178,471                      | 14,140,518                     |
| Capital outlay   | 580,588              | -                    | 36,754,088                  | 857,127                        | 38,191,803                     |
| Debt service:  |                      |                      |                             |                                |                                |
| Principal retirement   | 50,052               | 14,245,118           | -                           | 56,317                         | 14,351,487                     |
| Advance refunding escrow                                     | -                    | 103,950              | -                           | -                              | 103,950                        |
| Bond issuance costs  | -                    | 46,826               | 124,426                     | -                              | 171,252                        |
| Interest and other charges                                   | -                    | 5,817,769            | -                           | 2,180                          | 5,819,949                      |
| Total expenditures   | <u>100,560,661</u>   | <u>20,213,663</u>    | <u>37,937,712</u>           | <u>22,426,178</u>              | <u>181,138,214</u>             |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>9,606,262</u>     | <u>108,441</u>       | <u>(30,701,575)</u>         | <u>1,035,990</u>               | <u>(19,950,882)</u>            |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                      |                      |                             |                                |                                |
| Refunding bonds issued                                       | -                    | 10,850,000           | -                           | -                              | 10,850,000                     |
| Payment to refunded bond escrow agent                        | -                    | (11,358,665)         | -                           | -                              | (11,358,665)                   |
| Issuance of long-term debt                                   | -                    | -                    | 33,405,000                  | -                              | 33,405,000                     |
| Premium on debt issuance                                     | -                    | 557,965              | 2,519,395                   | -                              | 3,077,360                      |
| Insurance recoveries   | -                    | -                    | 86,992                      | -                              | 86,992                         |
| Sale of capital assets                                       | 214,468              | -                    | 21,600                      | -                              | 236,068                        |
| Transfers in   | 73,690               | 358,371              | 9,105,818                   | 1,319,025                      | 10,856,904                     |
| Transfers out  | (6,293,495)          | -                    | (204,634)                   | (3,489,699)                    | (9,987,828)                    |
| Total other financing sources (uses)                         | <u>(6,005,337)</u>   | <u>407,671</u>       | <u>44,934,171</u>           | <u>(2,170,674)</u>             | <u>37,165,831</u>              |
| Net change in fund balances                                  | <u>3,600,925</u>     | <u>516,112</u>       | <u>14,232,596</u>           | <u>(1,134,684)</u>             | <u>17,214,949</u>              |
| Fund balance at beginning of year                            | <u>28,169,848</u>    | <u>4,893,032</u>     | <u>75,142,857</u>           | <u>16,544,062</u>              | <u>124,749,799</u>             |
| Fund balances at end of year                                 | <u>\$ 31,770,773</u> | <u>\$ 5,409,144</u>  | <u>\$ 89,375,453</u>        | <u>\$ 15,409,378</u>           | <u>\$ 141,964,748</u>          |

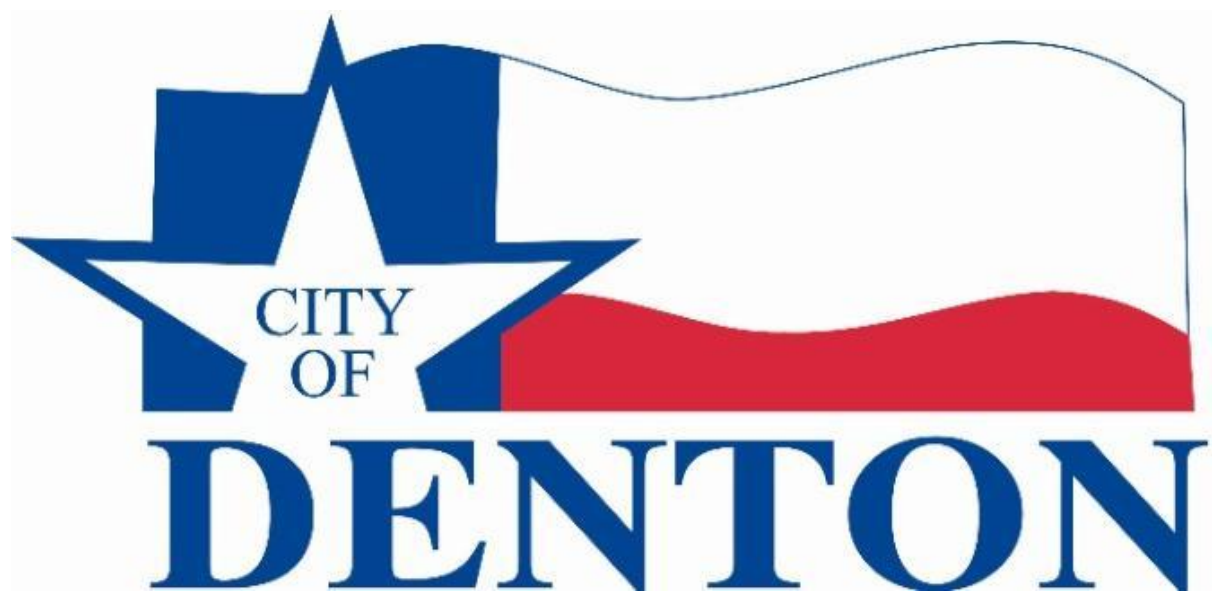
The notes to the basic financial statements are an integral part of this statement.

**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, 2017**

**Exhibit VI**

|   |                      |
|---|----------------------|
| Net change in fund balances - total governmental funds (Exhibit V)  | \$ 17,214,949        |
| 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 (\$38,191,803) is different from depreciation and retirement of assets (\$16,057,592 = \$18,682,334 total governmental minus \$2,624,742 internal service portion) in the current period. | 22,134,211           |
| 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.  | 2,334,525            |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position.   | 9,039,192            |
| 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.  | (23,093,982)         |
| Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials.   | (2,036,162)          |
| 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.  | (5,512,724)          |
| 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 \$2,464,337.   | (2,076,546)          |
| Change in net position of governmental activities (Exhibit II)  | <u>\$ 18,003,463</u> |

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, 2017

Exhibit VII

|  | Budgeted Amounts |               | Actual        | Adjustments - | Actual on a   | Variance with  |
|--|------------------|---------------|---------------|---------------|---------------|----------------|
|  | Original         | Final         | Amounts       | Budgetary     | Budgetary     | Final Budget - |
|  |                  |               |               | Basis         | Basis         | Positive       |
|  |                  |               |               |               |               | (Negative)     |
| <b>REVENUES:</b>   |                  |               |               |               |               |                |
| Taxes  | \$ 76,331,979    | \$ 76,331,979 | \$ 81,040,432 | \$ -          | \$ 81,040,432 | \$ 4,708,453   |
| Licenses and permits   | 2,964,916        | 2,964,916     | 3,016,697     | -             | 3,016,697     | 51,781         |
| Franchise fees   | 13,329,014       | 13,329,014    | 13,113,210    | -             | 13,113,210    | (215,804)      |
| Fines and forfeitures  | 4,109,242        | 4,109,242     | 3,646,487     | -             | 3,646,487     | (462,755)      |
| Fees for services  | 7,934,837        | 7,934,837     | 7,417,774     | 242,453       | 7,660,227     | (274,610)      |
| Investment revenue   | 271,541          | 271,541       | 371,305       | -             | 371,305       | 99,764         |
| Intergovernmental  | 1,002,862        | 1,002,862     | 1,026,313     | -             | 1,026,313     | 23,451         |
| Miscellaneous  | 167,706          | 167,706       | 534,705       | -             | 534,705       | 366,999        |
| Total revenues   | 106,112,097      | 106,112,097   | 110,166,923   | 242,453       | 110,409,376   | 4,297,279      |
| <b>EXPENDITURES:</b>   |                  |               |               |               |               |                |
| Current:   |                  |               |               |               |               |                |
| General government   | 32,049,729       | 31,376,218    | 27,131,242    | 3,549,823     | 30,681,065    | 695,153        |
| Public safety  | 56,846,803       | 56,847,264    | 57,921,901    | (2,973,884)   | 54,948,017    | 1,899,247      |
| Public works   | 3,003,285        | 3,003,285     | 2,983,128     | (104,713)     | 2,878,415     | 124,870        |
| Parks and recreation   | 12,445,641       | 12,291,262    | 11,893,750    | (638,232)     | 11,255,518    | 1,035,744      |
| Capital outlay   | 617,508          | 549,895       | 580,588       | -             | 580,588       | (30,693)       |
| Debt service:  |                  |               |               |               |               |                |
| Principal retirement   | -                | -             | 50,052        | -             | 50,052        | (50,052)       |
| Total expenditures   | 104,962,966      | 104,067,924   | 100,560,661   | (167,006)     | 100,393,655   | 3,674,269      |
| Excess (deficiency) of revenues<br>over (under) expenditures                                     | 1,149,131        | 2,044,173     | 9,606,262     | 409,459       | 10,015,721    | 7,971,548      |
| <b>OTHER FINANCING SOURCES<br/>(USES):</b>   |                  |               |               |               |               |                |
| Sale of capital assets   | 141,000          | 141,000       | 214,468       | -             | 214,468       | 73,468         |
| Transfer in  | 8,081,468        | 8,081,468     | 73,690        | 8,066,695     | 8,140,385     | 58,917         |
| Transfers out  | (9,470,964)      | (14,946,179)  | (6,293,495)   | (8,476,154)   | (14,769,649)  | 176,530        |
| Total other financing<br>sources (uses)  | (1,248,496)      | (6,723,711)   | (6,005,337)   | (409,459)     | (6,414,796)   | 308,915        |
| Excess (deficiency) of revenues<br>and other sources over (under)<br>expenditures and other uses | (99,365)         | (4,679,538)   | 3,600,925     | -             | 3,600,925     | 8,280,463      |
| Fund balances at beginning of year   | 28,169,848       | 28,169,848    | 28,169,848    | -             | 28,169,848    | -              |
| Fund balance at end of year  | \$ 28,070,483    | \$ 23,490,310 | \$ 31,770,773 | \$ -          | \$ 31,770,773 | \$ 8,280,463   |

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, 2017

Exhibit VIII

|  | Business-type Activities - Enterprise Funds |                    |                    |
|--|---|--------------------|--------------------|
|  | Utility System                              |                    |                    |
|  | Electric<br>Fund                            | Water<br>Fund      | Wastewater<br>Fund |
| <b>ASSETS:</b>   |   |                    |                    |
| <b>Current assets:</b>   |   |                    |                    |
| Cash, cash equivalents and investments,<br>at fair value             | \$ 82,707,513                               | \$ 48,370,037      | \$ 40,928,718      |
| <b>Receivables, net of allowances:</b>                               |   |                    |                    |
| Accounts   | 8,109,915                                   | 1,852,748          | 1,447,676          |
| Unbilled utility service   | 9,588,752                                   | 2,518,450          | 1,642,663          |
| Accrued interest   | 364,513                                     | 213,149            | 180,383            |
| Other  | 1,594,228                                   | -                  | -                  |
| Interfund receivables  | 3,714,053                                   | 621,449            | 215,182            |
| Merchandise inventory  | -   | -                  | -                  |
| Prepaid items  | 22,056,236                                  | -                  | -                  |
| Other Assets   | 26,930,415                                  | -                  | -                  |
| <b>Total current assets</b>  | <b>155,065,625</b>                          | <b>53,575,833</b>  | <b>44,414,622</b>  |
| <b>Noncurrent assets:</b>  |   |                    |                    |
| <b>Restricted assets:</b>  |   |                    |                    |
| Cash, cash equivalents and investments,<br>at fair value             | 188,235,091                                 | 27,446,701         | 13,307,739         |
| Escrow deposit   | -   | 50,000             | -                  |
| Accrued interest   | 829,600                                     | 120,964            | 58,652             |
| <b>Total restricted assets</b>                                       | <b>189,064,691</b>                          | <b>27,617,665</b>  | <b>13,366,391</b>  |
| Capital assets, net of accumulated depreciation                      | 550,690,234                                 | 256,168,939        | 208,366,889        |
| <b>Total noncurrent assets</b>                                       | <b>739,754,925</b>                          | <b>283,786,604</b> | <b>221,733,280</b> |
| <b>Total assets</b>  | <b>894,820,550</b>                          | <b>337,362,437</b> | <b>266,147,902</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                               |   |                    |                    |
| Deferred charges on refunding  | 1,619,363                                   | 2,326,819          | 291,671            |
| Deferred pension balances  | 2,681,821                                   | 1,267,684          | 1,007,457          |
| Deferred pension contributions                                       | 2,090,820                                   | 931,539            | 715,620            |
| <b>Total deferred outflows of resources</b>                          | <b>6,392,004</b>                            | <b>4,526,042</b>   | <b>2,014,748</b>   |
| <b>LIABILITIES:</b>  |   |                    |                    |
| <b>Current liabilities:</b>  |   |                    |                    |
| Accounts payable   | 15,566,637                                  | 846,452            | 577,166            |
| Retainage payable  | -   | 10,842             | 1,100              |
| Claims payable   | -   | -                  | -                  |
| Compensated absences payable   | 1,152,287                                   | 530,704            | 360,791            |
| Leases payable   | -   | -                  | -                  |
| Deposits   | 4,261,775                                   | 295,491            | 103,080            |
| Accrued interest   | -   | -                  | -                  |
| Interfund payables   | -   | -                  | -                  |
| <b>Payable from restricted assets:</b>                               |   |                    |                    |
| Accounts payable   | 12,472,519                                  | 391,569            | 227,519            |
| Retainage payable  | 3,012,357                                   | -                  | 55,048             |
| Accrued interest   | 6,116,508                                   | 504,721            | 250,884            |
| Certificate and general<br>obligation bonds                          | 22,025,020                                  | 10,247,224         | 5,690,929          |
| <b>Total current liabilities paid from restricted<br/>    assets</b> | <b>43,626,404</b>                           | <b>11,143,514</b>  | <b>6,224,380</b>   |
| <b>Total current liabilities</b>                                     | <b>64,607,103</b>                           | <b>12,827,003</b>  | <b>7,266,517</b>   |

(continued on the following page)

CITY OF DENTON, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2017

Exhibit VIII

|  | Business-type Activities - Enterprise Funds |                 |                              | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|--|---|-----------------|------------------------------|--|
|  | Solid Waste<br>Fund                         | Airport<br>Fund | Total<br>Enterprise<br>Funds |  |
| <b>ASSETS:</b>   |   |                 |                              |  |
| <b>Current assets:</b>                                   |   |                 |                              |  |
| Cash, cash equivalents and investments,<br>at fair value | \$ 9,177,483                                | \$ 3,049,959    | \$ 184,233,710               | \$ 17,762,761  |
| <b>Receivables, net of allowances:</b>                   |   |                 |                              |  |
| Accounts   | 1,518,843                                   | 49,134          | 12,978,316                   | -  |
| Unbilled utility service                                 | 1,680,224                                   | -               | 15,430,089                   | -  |
| Accrued interest   | 40,445                                      | 13,442          | 811,932                      | 78,224   |
| Other  | -   | 176,042         | 1,770,270                    | 303,645  |
| Interfund receivables                                    | -   | -               | 4,550,684                    | -  |
| Merchandise inventory                                    | -   | -               | -                            | 7,543,184  |
| Prepaid items  | -   | -               | 22,056,236                   | 197,182  |
| Deferred charges   | -   | -               | 26,930,415                   | -  |
| Total current assets                                     | 12,416,995                                  | 3,288,577       | 268,761,652                  | 25,884,996   |
| <b>Noncurrent assets:</b>                                |   |                 |                              |  |
| <b>Restricted assets:</b>                                |   |                 |                              |  |
| Cash, cash equivalents and investments,<br>at fair value | 33,362,868                                  | 339,865         | 262,692,264                  | 199,676  |
| Escrow deposit   | -   | -               | 50,000                       | 189,000  |
| Accrued interest   | 147,039                                     | 1,498           | 1,157,753                    | 880  |
| Total restricted assets                                  | 33,509,907                                  | 341,363         | 263,900,017                  | 389,556  |
| Capital assets, net of accumulated depreciation          | 51,684,890                                  | 14,533,617      | 1,081,444,569                | 7,656,507  |
| Total noncurrent assets                                  | 85,194,797                                  | 14,874,980      | 1,345,344,586                | 8,046,063  |
| Total assets   | 97,611,792                                  | 18,163,557      | 1,614,106,238                | 33,931,059   |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                   |   |                 |                              |  |
| Deferred charges on refunding                            | 170,129                                     | -               | 4,407,982                    | 31,781   |
| Deferred pension balances                                | 1,248,052                                   | 81,702          | 6,286,716                    | 1,417,763  |
| Deferred pension contributions                           | 956,875                                     | 47,595          | 4,742,449                    | 1,071,642  |
| Total deferred outflows of resources                     | 2,375,056                                   | 129,297         | 15,437,147                   | 2,521,186  |
| <b>LIABILITIES:</b>                                      |   |                 |                              |  |
| <b>Current liabilities:</b>                              |   |                 |                              |  |
| Accounts payable   | 569,200                                     | 27,918          | 17,587,373                   | 2,325,799  |
| Retainage payable  | -   | -               | 11,942                       | -  |
| Claims payable   | -   | -               | -                            | 2,237,139  |
| Compensated absences payable                             | 468,075                                     | 25,217          | 2,537,074                    | 625,946  |
| Leases payable   | -   | -               | -                            | 443,839  |
| Deposits   | 160,424                                     | 11,938          | 4,832,708                    | -  |
| Accrued interest   | -   | -               | -                            | 5,472  |
| Interfund payables                                       | -   | -               | -                            | 5,100,000  |
| <b>Payable from restricted assets:</b>                   |   |                 |                              |  |
| Accounts payable   | 573,634                                     | -               | 13,665,241                   | -  |
| Retainage payable  | 88,344                                      | -               | 3,155,749                    | -  |
| Accrued interest   | 388,470                                     | -               | 7,260,583                    | -  |
| <b>Certificate and general<br/>  obligation bonds</b>    | 7,989,723                                   | -               | 45,952,896                   | 299,681  |
| Total current liabilities paid from restricted<br>assets | 9,040,171                                   | -               | 70,034,469                   | 299,681  |
| Total current liabilities                                | 10,237,870                                  | 65,073          | 95,003,566                   | 11,037,876   |

(continued on the following page)

CITY OF DENTON, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2017

Exhibit VIII

|  | Business-type Activities - Enterprise Funds |                |                    |
|--|---|----------------|--------------------|
|  | Utility System                              |                |                    |
|  | Electric<br>Fund                            | Water<br>Fund  | Wastewater<br>Fund |
| Noncurrent liabilities:                        |   |                |                    |
| General obligation bonds payable               | \$ 46,534,009                               | \$ 56,898,377  | \$ 13,679,366      |
| Certificates of obligation                     | 363,341,157                                 | 31,359,654     | 28,980,946         |
| Revenue bonds payable, net of premium/discount | 242,899,002                                 | -              | -                  |
| Compensated absences payable                   | 239,311                                     | 58,616         | 61,339             |
| Claims payable                                 | -   | -              | -                  |
| Net pension liability                          | 15,327,970                                  | 7,094,349      | 5,626,355          |
| Other post employment benefits                 | 1,194,707                                   | 1,064,041      | 753,209            |
| Landfill closure/postclosure costs             | -   | -              | -                  |
| Total noncurrent liabilities                   | 669,536,156                                 | 96,475,037     | 49,101,215         |
| Total liabilities                              | 734,143,259                                 | 109,302,040    | 56,367,732         |
| DEFERRED INFLOWS OF RESOURCES:                 |   |                |                    |
| Deferred pension balances                      | 224,742                                     | 105,738        | 84,211             |
| Total deferred inflows of resources            | 224,742                                     | 105,738        | 84,211             |
| NET POSITION:                                  |   |                |                    |
| Net investment in capital assets               | 116,389,681                                 | 180,907,897    | 171,479,024        |
| Restricted for debt service                    | 2,671,250                                   | -              | -                  |
| Restricted for capital acquisition             | -   | 6,650,271      | 2,194,686          |
| Unrestricted                                   | 47,783,622                                  | 44,922,533     | 38,036,997         |
| Total net position                             | \$ 166,844,553                              | \$ 232,480,701 | \$ 211,710,707     |

(continued on the following page)

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



CITY OF DENTON, TEXAS  
STATEMENT OF NET POSITION (concluded)  
PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2017

Exhibit VIII

|  | Business-type Activities - Enterprise Funds |                 |                              | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|--|---|-----------------|------------------------------|--|
|  | Solid Waste<br>Fund                         | Airport<br>Fund | Total<br>Enterprise<br>Funds |  |
| <b>Noncurrent liabilities:</b>   |   |                 |                              |  |
| General obligation bonds payable   | \$ 4,156,774                                | \$ -            | \$ 121,268,526               | \$ 508,057   |
| Certificates of obligation   | 45,414,693                                  | -               | 469,096,450                  | 159,243  |
| Revenue bonds payable, net of premium/discount   | -   | -               | 242,899,002                  | -  |
| Compensated absences payable   | 141,607                                     | 888             | 501,761                      | 83,911   |
| Claims payable   | -   | -               | -                            | 2,096,874  |
| Net pension liability  | 7,055,047                                   | 445,726         | 35,549,447                   | 8,013,950  |
| Other post employment benefits   | 869,856                                     | 48,996          | 3,930,809                    | 830,383  |
| Landfill closure/postclosure costs   | 10,013,752                                  | -               | 10,013,752                   | -  |
| Total noncurrent liabilities   | 67,651,729                                  | 495,610         | 883,259,747                  | 11,692,418   |
| Total liabilities  | 77,889,599                                  | 560,683         | 978,263,313                  | 22,730,294   |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>  |   |                 |                              |  |
| Deferred pension balances  | 104,190                                     | 6,865           | 525,746                      | 118,519  |
| Total deferred inflows of resources  | 104,190                                     | 6,865           | 525,746                      | 118,519  |
| <b>NET POSITION:</b>   |   |                 |                              |  |
| Net investment in capital assets   | 19,149,622                                  | 14,874,980      | 502,801,204                  | 6,478,024  |
| Restricted for debt service  | -   | -               | 2,671,250                    | -  |
| Restricted for capital acquisition   | -   | -               | 8,844,957                    | -  |
| Unrestricted   | 2,843,437                                   | 2,850,326       | 136,436,915                  | 7,125,408  |
| Total net position   | \$ 21,993,059                               | \$ 17,725,306   | \$ 650,754,326               | \$ 13,603,432  |
| Adjustment to reflect inclusion of internal service fund activities related to enterprise funds. |   |                 | 8,754,974                    |  |
| Net position of business-type activities (Exhibit I)   |   |                 | \$ 659,509,300               |  |

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

(concluded)

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

|  | <b>Business-type Activities - Enterprise Funds</b> |                       |                            |
|--|--|-----------------------|----------------------------|
|  | <b>Utility System</b>                              |                       |                            |
|  | <b>Electric<br/>Fund</b>                           | <b>Water<br/>Fund</b> | <b>Wastewater<br/>Fund</b> |
| <b>OPERATING REVENUES:</b>                       |  |                       |                            |
| Utility services                                 | \$ 168,797,350                                     | \$ 35,122,575         | \$ 29,342,387              |
| Charges for goods and services                   | -  | -                     | -                          |
| Other fees                                       | 3,229,730  | 1,210,679             | 1,607,942                  |
| Miscellaneous                                    | -  | -                     | -                          |
| Total operating revenues                         | <u>172,027,080</u>                                 | <u>36,333,254</u>     | <u>30,950,329</u>          |
| <b>OPERATING EXPENSES:</b>                       |  |                       |                            |
| Operating expenses before depreciation           | 146,747,594  | 17,790,036            | 17,918,132                 |
| Depreciation                                     | <u>12,056,412</u>                                  | <u>7,621,963</u>      | <u>7,406,247</u>           |
| Total operating expenses                         | <u>158,804,006</u>                                 | <u>25,411,999</u>     | <u>25,324,379</u>          |
| Operating income (loss)                          | <u>13,223,074</u>                                  | <u>10,921,255</u>     | <u>5,625,950</u>           |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>        |  |                       |                            |
| Investment revenue                               | 2,113,437  | 599,007               | 438,025                    |
| Interest expense and fiscal charges              | (14,548,281)                                       | (2,517,523)           | (1,023,195)                |
| Impact fee revenue                               | -  | 4,998,752             | 2,410,274                  |
| Gain (loss) on disposal of capital assets        | (560,477)  | 60,764                | 190,303                    |
| Gas well revenues                                | -  | -                     | -                          |
| Other non-operating revenues (expenses)          | <u>-</u>   | <u>189,738</u>        | <u>28,821</u>              |
| Total non-operating revenues (expenses)          | <u>(12,995,321)</u>                                | <u>3,330,738</u>      | <u>2,044,228</u>           |
| Income (loss) before contributions and transfers | 227,753  | 14,251,993            | 7,670,178                  |
| <b>CONTRIBUTIONS AND TRANSFERS:</b>              |  |                       |                            |
| Capital contributions                            | -  | 5,362,783             | 10,298,946                 |
| Transfers in                                     | 3,000  | 12,200                | 740,803                    |
| Transfers out                                    | <u>(968,616)</u>                                   | <u>(948,030)</u>      | <u>(610,244)</u>           |
| Total contributions and transfers                | <u>(965,616)</u>                                   | <u>4,426,953</u>      | <u>10,429,505</u>          |
| Change in net position                           | (737,863)  | 18,678,946            | 18,099,683                 |
| Net position at beginning of year                | <u>167,582,416</u>                                 | <u>213,801,755</u>    | <u>193,611,024</u>         |
| Total net position at end of year                | <u>\$ 166,844,553</u>                              | <u>\$ 232,480,701</u> | <u>\$ 211,710,707</u>      |

(continued on the following page)

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

**CITY OF DENTON, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION (concluded)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit IX**

|  | <b>Business-type Activities - Enterprise Funds</b> |                      |                               | <b>Governmental Activities - Internal Service Funds</b> |
|--|--|----------------------|-------------------------------|---|
|  | <b>Solid Waste Fund</b>                            | <b>Airport Fund</b>  | <b>Total Enterprise Funds</b> |   |
| <b>OPERATING REVENUES:</b>   |  |                      |                               |   |
| Utility services   | \$ 33,387,274                                      | \$ -                 | \$ 266,649,586                | \$ -  |
| Charges for goods and services   | -  | 793,631              | 793,631                       | 65,126,856  |
| Other fees   | 460,319  | -                    | 6,508,670                     | -   |
| Miscellaneous  | -  | 95,470               | 95,470                        | 1,058,819   |
| Total operating revenues   | <u>33,847,593</u>                                  | <u>889,101</u>       | <u>274,047,357</u>            | <u>66,185,675</u>                                       |
| <b>OPERATING EXPENSES:</b>   |  |                      |                               |   |
| Operating expenses before depreciation   | 25,342,233   | 1,291,801            | 209,089,796                   | 68,322,882  |
| Depreciation   | <u>7,259,584</u>                                   | <u>640,979</u>       | <u>34,985,185</u>             | <u>2,624,742</u>  |
| Total operating expenses   | <u>32,601,817</u>                                  | <u>1,932,780</u>     | <u>244,074,981</u>            | <u>70,947,624</u>                                       |
| Operating income (loss)  | <u>1,245,776</u>                                   | <u>(1,043,679)</u>   | <u>29,972,376</u>             | <u>(4,761,949)</u>                                      |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>  |  |                      |                               |   |
| Investment revenue   | 281,604  | 39,562               | 3,471,635                     | 146,875   |
| Interest expense and fiscal charges  | (1,349,352)  | -                    | (19,438,351)                  | (66,518)  |
| Impact fee revenue   | -  | -                    | 7,409,026                     | -   |
| Gain (loss) on disposal of capital assets  | 132,674  | -                    | (176,736)                     | 19,777  |
| Gas well revenues  | -  | 606,518              | 606,518                       | -   |
| Other non-operating revenues (expenses)  | -  | 22,447               | 241,006                       | -   |
| Total non-operating revenues (expenses)  | <u>(935,074)</u>                                   | <u>668,527</u>       | <u>(7,886,902)</u>            | <u>100,134</u>  |
| Income (loss) before contributions and transfers   | 310,702  | (375,152)            | 22,085,474                    | (4,661,815)   |
| <b>CONTRIBUTIONS AND TRANSFERS:</b>  |  |                      |                               |   |
| Capital contributions  | -  | 4,686,160            | 20,347,889                    | 73,068  |
| Transfers in   | 582,572  | 654,175              | 1,992,750                     | 47,864  |
| Transfers out  | <u>(332,800)</u>                                   | <u>(50,000)</u>      | <u>(2,909,690)</u>            | <u>-</u>  |
| Total contributions and transfers  | <u>249,772</u>                                     | <u>5,290,335</u>     | <u>19,430,949</u>             | <u>120,932</u>  |
| Change in net position   | 560,474  | 4,915,183            | 41,516,423                    | (4,540,883)   |
| Net position at beginning of year  | <u>21,432,585</u>                                  | <u>12,810,123</u>    | <u>609,237,903</u>            | <u>18,144,315</u>                                       |
| Total net position at end of year  | <u>\$ 21,993,059</u>                               | <u>\$ 17,725,306</u> | <u>\$ 650,754,326</u>         | <u>\$ 13,603,432</u>                                    |
| Change in fund net position of proprietary funds   |  |                      | 41,516,423                    |   |
| Adjustment to reflect inclusion of internal service fund activities related to enterprise funds. |  |                      | (2,464,337)                   |   |
| Change in net position of business-type activities (Exhibit II)                                  |  |                      | <u>\$ 39,052,086</u>          |   |

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

(concluded)

CITY OF DENTON, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit X

|   | <b>Business-type Activities - Enterprise Funds</b> |                      |                                   |
|---|--|----------------------|-----------------------------------|
|   | <b>Utility System</b>                              |                      |                                   |
|   | <b>Electric Fund</b>                               | <b>Water Fund</b>    | <b>Wastewater Fund</b>            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |                      |                                   |
| Cash received from customers  | \$ 171,719,665                                     | \$ 35,403,856        | \$ 30,810,634                     |
| Cash paid to employees for services   | (15,044,676)                                       | (9,586,428)          | (7,141,807)                       |
| Cash paid to suppliers  | (113,433,035)                                      | (7,693,819)          | (11,133,669)                      |
| Net cash provided (used) by operating activities  | <u>43,241,954</u>                                  | <u>18,123,609</u>    | <u>12,535,158</u>                 |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>   |  |                      |                                   |
| Transfers out   | (916,266)  | (948,030)            | (610,244)                         |
| Transfers in  | -  | 12,200               | 505,803                           |
| Principal payments on non-capital debt  | (3,675,000)  | -                    | -                                 |
| Interest and fiscal charges on non-capital debt   | (2,403,562)  | -                    | -                                 |
| Net cash used by noncapital financing activities:   | <u>(6,994,828)</u>                                 | <u>(935,830)</u>     | <u>(104,441)</u>                  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                                      |  |                      |                                   |
| Proceeds from issuance of debt  | 312,347,295  | -                    | -                                 |
| Principal payments on capital debt  | (10,280,000)                                       | (7,075,000)          | (4,465,000)                       |
| Interest and fiscal charges   | (12,163,744)                                       | (3,614,720)          | (1,587,645)                       |
| Principal payments under capital lease obligation   | -  | -                    | -                                 |
| Proceeds from gas wells   | -  | -                    | -                                 |
| Proceeds from impact fees   | -  | 4,998,752            | 2,410,274                         |
| Proceeds from sale of capital assets  | 53,423   | 81,598               | 190,303                           |
| Acquisition and construction of capital assets  | (202,356,537)                                      | (8,899,885)          | (8,827,458)                       |
| Net cash used by capital financing activities   | <u>87,600,437</u>                                  | <u>(14,509,255)</u>  | <u>(12,279,526)</u>               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |  |                      |                                   |
| Proceeds from sale and maturities of investment securities  | 60,229,889   | 46,018,709           | 34,941,962                        |
| Purchase of investment securities   | (172,072,061)                                      | (49,627,254)         | (36,003,132)                      |
| Interest received on investments  | 1,601,235  | 604,816              | 450,368                           |
| Net cash provided (used) by investing activities  | <u>(110,240,937)</u>                               | <u>(3,003,729)</u>   | <u>(610,802)</u>                  |
| Net increase (decrease) in cash and cash equivalents  | 13,606,626   | (325,205)            | (459,611)                         |
| Cash and cash equivalents at beginning of year  | 18,896,356   | 9,426,539            | 6,966,222                         |
| Cash and cash equivalents at end of year  | 32,502,982   | 9,101,334            | 6,506,611                         |
| Investments, at fair value (Note IV.A.)   | 238,439,622  | 66,715,404           | 47,729,846                        |
| Cash, cash equivalents and investments, at fair value   | <u>\$ 270,942,604</u>                              | <u>\$ 75,816,738</u> | <u>\$ 54,236,457</u>              |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |  |                      |                                   |
| Operating income (loss)   | <u>\$ 13,223,074</u>                               | <u>\$ 10,921,255</u> | <u>\$ 5,625,950</u>               |
| Adjustments:  |  |                      |                                   |
| Depreciation expense  | 12,056,412   | 7,621,963            | 7,406,247                         |
| Decrease (Increase) in receivables  | 103,331  | (823,306)            | (176,203)                         |
| Increase in interfund receivables   | (410,746)  | (106,092)            | 36,508                            |
| Increase in inventories   | -  | -                    | -                                 |
| Decrease (Increase) in prepaid items  | 31,020,701   | 15,054               | -                                 |
| Decrease (Increase) in other assets   | (26,930,415)                                       | -                    | -                                 |
| Increase in escrow deposits   | -  | -                    | -                                 |
| Increase (Decrease) in accounts payable   | 13,068,537   | (172,902)            | (792,563)                         |
| Increase (Decrease) in compensated absences payable   | (25,388)   | 52,668               | (28,890)                          |
| Increase (Decrease) in net municipal pension balances   | 815,381  | 363,283              | 279,079                           |
| Increase in other post employment benefits  | 321,067  | 251,686              | 185,030                           |
| Increase in closure/postclosure liability   | -  | -                    | -                                 |
| Increase in interfund payables  | -  | -                    | -                                 |
| Total adjustments   | <u>30,018,880</u>                                  | <u>7,202,354</u>     | <u>6,909,208</u>                  |
| Net cash provided (used) by operating activities  | <u>\$ 43,241,954</u>                               | <u>\$ 18,123,609</u> | <u>\$ 12,535,158</u>              |
| <b>NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:</b>   |  |                      |                                   |
| Decrease in fair value of investments   | (479,575)  | (149,707)            | (107,956)                         |
| Increase (Decrease) in equity due to non-cash transfers   | (49,350)   | -                    | -                                 |
| Capital asset contributions   | -  | 5,362,783            | 10,298,946                        |
| The notes to the basic financial statements are an integral part of this statement.                   |  |                      | (continued on the following page) |

CITY OF DENTON, TEXAS  
STATEMENT OF CASH FLOWS (concluded)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit X

|   | Business-type Activities - Enterprise Funds |                |                        | Governmental Activities Internal Service Funds |
|---|---|----------------|------------------------|--|
|   | Solid Waste Fund                            | Airport Fund   | Total Enterprise Funds |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |   |                |                        |  |
| Cash received from customers  | \$ 33,562,315                               | \$ 857,136     | \$ 272,353,606         | \$ 65,930,287                                  |
| Cash paid to employees for services   | (10,423,460)                                | (509,184)      | (42,705,555)           | (11,318,415)                                   |
| Cash paid to suppliers  | (12,876,811)                                | (806,195)      | (145,943,529)          | (56,237,241)                                   |
| Net cash provided (used) by operating activities  | 10,262,044                                  | (458,243)      | 83,704,522             | (1,625,369)                                    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>   |   |                |                        |  |
| Transfers out   | (97,800)                                    | (50,000)       | (2,622,340)            | -  |
| Transfers in  | 582,572                                     | 654,175        | 1,754,750              | 47,864   |
| Principal payments on non-capital debt  | -   | -              | (3,675,000)            | -  |
| Interest and fiscal charges on non-capital debt   | -   | -              | (2,403,562)            | -  |
| Net cash used by noncapital financing activities:   | 484,772                                     | 604,175        | (6,946,152)            | 47,864   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                                      |   |                |                        |  |
| Proceeds from issuance of debt  | 15,647,662                                  | -              | 327,994,957            | 569,143  |
| Principal payments on capital debt  | (7,386,020)                                 | -              | (29,206,020)           | (623,863)                                      |
| Interest and fiscal charges   | (1,925,529)                                 | 54             | (19,291,584)           | (70,378)                                       |
| Principal payments under capital lease obligation   | -   | -              | -                      | (768,799)                                      |
| Proceeds from gas wells   | -   | 580,726        | 580,726                | -  |
| Proceeds from impact fees   | -   | -              | 7,409,026              | -  |
| Proceeds from sale of capital assets  | 345,529                                     | -              | 670,853                | 9,370  |
| Acquisition and construction of capital assets  | (12,653,076)                                | (829,289)      | (233,566,245)          | (934,761)                                      |
| Net cash used by capital financing activities   | (5,971,434)                                 | (248,509)      | 54,591,713             | (1,819,288)                                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |   |                |                        |  |
| Proceeds from sale and maturities of investment securities  | 18,986,126                                  | 1,985,571      | 162,162,257            | 15,046,364                                     |
| Purchase of investment securities   | (23,797,870)                                | (1,965,427)    | (283,465,744)          | (12,430,170)                                   |
| Interest received on investments  | 269,852                                     | 40,799         | 2,967,070              | 166,944  |
| Net cash provided (used) by investing activities  | (4,541,892)                                 | 60,943         | (118,336,417)          | 2,783,138                                      |
| Net increase (decrease) in cash and cash equivalents  | 233,490                                     | (41,634)       | 13,013,666             | (613,655)                                      |
| Cash and cash equivalents at beginning of year  | 4,870,290                                   | 448,286        | 40,607,693             | 2,780,660                                      |
| Cash and cash equivalents at end of year  | 5,103,780                                   | 406,652        | 53,621,359             | 2,167,005                                      |
| Investments, at fair value (Note IV.A.)   | 37,436,571                                  | 2,983,172      | 393,304,615            | 15,795,432                                     |
| Cash, cash equivalents and investments, at fair value   | \$ 42,540,351                               | \$ 3,389,824   | \$ 446,925,974         | \$ 17,962,437                                  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |   |                |                        |  |
| Operating income (loss)   | \$ 1,245,776                                | \$ (1,043,679) | \$ 29,972,376          | \$ (4,761,949)                                 |
| Adjustments:  |   |                |                        |  |
| Depreciation expense  | 7,259,584                                   | 640,979        | 34,985,185             | 2,624,742                                      |
| Decrease (Increase) in receivables  | (247,323)                                   | (31,965)       | (1,175,466)            | (235,388)                                      |
| Increase in interfund receivables   | -   | -              | (480,330)              | -  |
| Increase in inventories   | -   | -              | -                      | (1,143,268)                                    |
| Decrease (Increase) in prepaid items  | -   | -              | 31,035,755             | (102,268)                                      |
| Decrease (Increase) in other assets   | -   | -              | (26,930,415)           | -  |
| Increase in escrow deposits   | -   | -              | -                      | (20,000)                                       |
| Increase (Decrease) in accounts payable   | (1,419,518)                                 | (54,030)       | 10,629,524             | 522,906  |
| Increase (Decrease) in compensated absences payable   | 31,602                                      | 1,963          | 31,955                 | 63,444   |
| Increase (Decrease) in net municipal pension balances   | 373,163                                     | 18,561         | 1,849,467              | 417,921  |
| Increase in other post employment benefits  | 216,867                                     | 9,928          | 984,578                | 213,742  |
| Increase in closure/postclosure liability   | 2,801,893                                   | -              | 2,801,893              | -  |
| Increase in interfund payables  | -   | -              | -                      | 794,749  |
| Total adjustments   | 9,016,268                                   | 585,436        | 53,732,146             | 3,136,580                                      |
| Net cash provided (used) by operating activities  | \$ 10,262,044                               | \$ (458,243)   | \$ 83,704,522          | \$ (1,625,369)                                 |
| <b>NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:</b>   |   |                |                        |  |
| Decrease in fair value of investments   | (82,444)                                    | (6,795)        | (826,477)              | (37,390)                                       |
| Increase (Decrease) in equity due to non-cash transfers   | -   | -              | (49,350)               | -  |
| Capital asset contributions   | -   | 4,686,160      | 20,347,889             | 73,068   |
| The notes to the basic financial statements are an integral part of this statement.                   |   |                |                        | (concluded)                                    |

**CITY OF DENTON, TEXAS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**AS OF SEPTEMBER 30, 2017**

**Exhibit XI**

|  | <u>Agency<br/>Fund</u>  |
|--|-------------------------|
| <b>ASSETS:</b>   |                         |
| Cash, cash equivalents and investments,<br>at fair value | \$       182,026        |
| Total assets   | <u>\$       182,026</u> |
| <b>LIABILITIES:</b>                                      |                         |
| Accounts payable   | 182,026                 |
| Total liabilities  | <u>\$       182,026</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, 2017**

**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, 2017.

**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, 2017**

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. 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, and as such, 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)**  
**SEPTEMBER 30, 2017**

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, and finance.

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.
2. Public hearings are conducted prior to the adoption of the budget in order to obtain taxpayer comments.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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 for the City Manager to 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. 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.

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, 2017.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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 7.5 years is remaining in the electric fund.

5. Other Assets

Certain costs applicable to future accounting periods are recorded as other assets. During the current fiscal year the City impaired its TMPA prepaid purchase power due to a change in seasonality generation. Of the \$43,378,333 balance in TMPA prepaid purchase power outstanding as of September 30, 2017, as part of the City's total prepaid balance in the electric fund, \$26,930,415 was impaired and recorded as an Other Asset to be amortized over 7.5 years in the electric fund. See footnote V.E. *Agreement with TMPA* for further information regarding this change with TMPA.

6. 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.

7. 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 value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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 2017, net interest capitalization of \$6,029,676 was recorded for electric fund projects, \$507,809 for water fund projects, \$529,779 for wastewater fund projects, and \$183,620 for solid waste fund projects.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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.

**8. 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.

**9. 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.

**10. 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, 2017**

**11. 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.

**12. 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. The General Fund is the only fund to report a positive unassigned fund balance amount. However, other governmental funds may report a negative unassigned fund balance as necessary if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

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.

**13. 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, 2017**

14. 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.

15. 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 deficit 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 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 2016) and will be fully recognized in the next period on the next measurement date (December 2017).
- 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 pension actuarial gains 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 actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and 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

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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 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 (\$23,093,982) difference are as follows:

|  |                              |
|--|------------------------------|
| Debt issued or incurred:   |                              |
| Issuance of general obligation debt  | \$(27,440,000)               |
| Issuance of certificates of obligation   | (16,815,000)                 |
| Assumption of Airport debt   | (4,430,469)                  |
| Principal repayments:  |                              |
| General obligation debt principal retirement   | 8,745,118                    |
| Certificates of obligation principal retirement  | 5,500,000                    |
| Refunded debt principal  | 11,240,000                   |
| Lease obligations principal retirement   | <u>106,369</u>               |
| Net adjustment to decrease net changes in fund<br>balances – total governmental funds to arrive at<br>changes in net position of governmental activities | <u><u>\$(23,093,982)</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 \$9,039,192 difference are as follows:

|   |                            |
|---|----------------------------|
| Net effect of transactions involving asset retirements/disposals  | \$ (279,874)               |
| Capital assets transferred to business-type activities as capital<br>contributions  | (119,560)                  |
| Donations of capital assets increase net position in the statement of<br>activities but do not appear in the governmental funds because they<br>are not financial resources | <u>9,438,626</u>           |
| Net adjustment to increase net changes in fund balances - total<br>governmental funds   | <u><u>\$ 9,039,192</u></u> |

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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 (\$5,512,724) difference are as follows:

|  |                              |
|--|------------------------------|
| Compensated absences   | \$ (558,541)                 |
| Net pension liability  | 2,074,066                    |
| Municipal pension deferred actuarial losses  | (6,109,798)                  |
| Municipal pension deferred contributions   | 259,135                      |
| Municipal pension deferred assumption changes  | (364,978)                    |
| Municipal pension deferred excess earnings   | 844,213                      |
| Other post employment benefits   | (1,483,139)                  |
| Accrued interest   | (173,682)                    |
| Net adjustment to decrease net changes in fund balances                                    |                              |
| - total governmental funds to arrive at changes in net position of governmental activities | <u><u>\$ (5,512,724)</u></u> |

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Deficit fund equity**

The Criminal Justice fund had deficit fund balances of (\$19,398) at September 30, 2017. The deficit was a result of reimbursement timing and clears in fiscal year 2017-2018. The Engineering Services internal service fund had a deficit net position of (\$1,102,261) 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 net pension liability.

**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 \$84,466,799 in cash and cash equivalents of which \$182,026 is included in the agency funds and \$16,179 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, 2017 were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2017, the City's investments carried a fair value of \$704,448,006, of which \$59,924,172 is in a local governmental investment pool and \$25,000,000 is in an insured cash sweep savings deposit both of which 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.



**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

- 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.

At September 30, 2017, the City had the following recurring fair value investments:

|  | 9/30/2017   | Fair Value Measurement Method   |   |                                    | Weighted<br>Average<br>Maturity<br>(Days) |
|--|-------------|---|---|------------------------------------|---|
|  |             | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Percent of<br>Total<br>Investments |   |
|  |             |   |   |                                    |   |
| <u>Investments Measured at Amortized Cost:</u> |             |   |   |                                    |   |
| TexSTAR - Investment Pool                      | 59,924,172  |   |   | 8.51%                              | 1   |
| Insured Cash Sweep Savings                     | 25,000,000  |   |   | 3.55%                              | 1   |
| Certificates of Deposit                        | 151,000,000 |   |   | 21.43%                             | 398                                       |
| <u>Investments by Fair Value Level:</u>        |             |   |   |                                    |   |
| Debt Securities:                               |             |   |   |                                    |   |
| U.S. Treasury Securities                       | 54,005,424  | 54,005,424  | -   | 7.67%                              | 241                                       |
| U.S. Agency Securities                         | 351,938,910 | 141,599,392   | 210,339,518   | 49.95%                             | 526                                       |
| Commercial Paper                               | 39,846,205  | -   | 39,846,205  | 5.66%                              | 98  |
| Municipal Bonds - Coupon                       | 22,733,295  | -   | 22,733,295  | 3.23%                              | 334                                       |
| Total Investments                              | 704,448,006 | 195,604,816   | 272,919,018   |                                    |   |
| Portfolio Weighted Average Maturity            |             |   |   |                                    | 383                                       |

Of the investments recorded at fair value, \$279,394,581 used the documented trade history in exact security pricing model, \$15,725,598 used the option-adjusted discounted cash flow pricing model, and \$173,403,655 used the present value of expected future cash flow pricing model.

*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 and savings 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, P-1, or an equivalent rating by at least two nationally recognized rating agencies. 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

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

amount insured by FDIC. As of September 30, 2017, the bank balance for deposits was \$2,133,899 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 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% in government securities and 15% in prime securities), repurchase agreements (20%), certificates of deposit (35%), U.S. Money Market Mutual Funds (35%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (15%).

*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 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.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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

|                          | General Fund         | Debt Service        | Capital Projects     | Other Governmental Funds |
|--------------------------|----------------------|---------------------|----------------------|--------------------------|
| Unrestricted investments | \$ 22,935,763        | \$ 4,751,564        | \$168,870,622        | \$ 14,226,424            |
| Change in fair value     | (39,236)             | (8,128)             | (288,886)            | (24,336)                 |
| Restricted investments   | -                    | -                   | -                    | -                        |
| Change in fair value     | -                    | -                   | -                    | -                        |
| Total                    | <u>\$ 22,896,527</u> | <u>\$ 4,743,436</u> | <u>\$168,581,736</u> | <u>\$ 14,202,088</u>     |

|                          | Electric             | Water               | Wastewater           | Solid Waste          |
|--------------------------|----------------------|---------------------|----------------------|----------------------|
| Unrestricted investments | \$ 72,910,431        | \$42,634,215        | \$ 36,080,260        | \$ 8,089,839         |
| Change in fair value     | (124,727)            | (72,934)            | (61,722)             | (13,839)             |
| Restricted investments   | 165,937,787          | 24,195,514          | 11,731,377           | 29,410,884           |
| Change in fair value     | (283,869)            | (41,391)            | (20,069)             | (50,313)             |
| Total                    | <u>\$238,439,622</u> | <u>\$66,715,404</u> | <u>\$ 47,729,846</u> | <u>\$ 37,436,571</u> |

|                          | Airport             | Internal Service Funds | Total City Investments |
|--------------------------|---------------------|------------------------|------------------------|
| Unrestricted investments | \$ 2,688,678        | \$15,646,476           | \$388,834,272          |
| Change in fair value     | (4,599)             | (26,766)               | (665,173)              |
| Restricted investments   | 299,606             | 176,023                | 231,751,191            |
| Change in fair value     | (513)               | (301)                  | (396,456)              |
| Total                    | <u>\$ 2,983,172</u> | <u>\$15,795,432</u>    | <u>\$619,523,834</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. Current tax collections for the year ended September 30, 2017 were 99.48% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2017, the City had a tax rate of \$0.683340 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 \$1.81666. Additional revenues up to \$166,628,606 could be raised per year based on the current year's certified assessed value of \$9,172,250,493 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

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2017, the total assessed value of \$150,021,979 after supplemental adjustments for TIRZ #1 was an increase of \$70,665,125 over the base fiscal year 2011 assessed value and resulted in \$458,739 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 2017, the assessed value of \$2,401,349 after supplemental adjustments was an increase of \$2,281,891 over the base fiscal year 2014 assessed value and resulted in \$6,237 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, \$2,267 of property tax revenue was generated for Fiscal Year 2017.

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.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

**C. Receivables**

Receivables at September 30, 2017 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:

|                                       | General Fund        | Debt Service        | Capital<br>Projects | Other<br>Governmental<br>Funds | Electric                     |                      |
|---------------------------------------|---------------------|---------------------|---------------------|--------------------------------|------------------------------|----------------------|
| Receivables:                          |                     |                     |                     |                                |                              |                      |
| Taxes                                 | \$ 7,469,233        | \$ 407,405          | \$ -                | \$ 214,671                     | \$ -                         |                      |
| Accounts                              | 128,183             | -                   | -                   | 37,051                         | 8,662,796                    |                      |
| Accrued interest                      | 114,667             | 23,756              | 844,263             | 71,123                         | 1,194,113                    |                      |
| Unbilled utility service              | -                   | -                   | -                   | -                              | 9,588,752                    |                      |
| Other - EMS Services                  | 3,813,536           | -                   | -                   | -                              | -                            |                      |
| Other                                 | 4,493,371           | -                   | -                   | 274,934                        | 1,594,228                    |                      |
| Gross receivables                     | 16,018,990          | 431,161             | 844,263             | 597,779                        | 21,039,889                   |                      |
| Less: Allowance for<br>uncollectibles | (4,964,654)         | (156,730)           | -                   | (32,282)                       | (552,881)                    |                      |
| Net total receivables                 | <u>\$11,054,336</u> | <u>\$ 274,431</u>   | <u>\$ 844,263</u>   | <u>\$ 565,497</u>              | <u>\$ 20,487,008</u>         |                      |
|                                       |                     |                     |                     |                                | Internal<br>Service<br>Funds | Total                |
| Receivables:                          | Water               | Wastewater          | Solid Waste         | Airport                        |                              |                      |
| Taxes                                 | \$ -                | \$ -                | \$ -                | \$ -                           | \$ -                         | \$ 8,091,309         |
| Accounts                              | 1,979,056           | 1,729,454           | 1,622,388           | 52,709                         | 6,535                        | 14,218,172           |
| Accrued interest                      | 334,113             | 239,035             | 187,484             | 14,940                         | 79,104                       | 3,102,598            |
| Unbilled utility service              | 2,518,450           | 1,642,663           | 1,680,224           | -                              | -                            | 15,430,089           |
| Other - EMS Services                  | -                   | -                   | -                   | -                              | -                            | 3,813,536            |
| Other                                 | -                   | -                   | -                   | 176,042                        | 297,527                      | 6,836,102            |
| Gross receivables                     | 4,831,619           | 3,611,152           | 3,490,096           | 243,691                        | 383,166                      | 51,491,806           |
| Less: Allowance for<br>uncollectibles | (126,308)           | (281,778)           | (103,545)           | (3,575)                        | (417)                        | (6,222,170)          |
| Net total receivables                 | <u>\$ 4,705,311</u> | <u>\$ 3,329,374</u> | <u>\$ 3,386,551</u> | <u>\$ 240,116</u>              | <u>\$ 382,749</u>            | <u>\$ 45,269,636</u> |

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

**D. Capital assets**

Capital asset balances and transactions for the year ended September 30, 2017 are summarized below and on the following page.

|  | Balance at<br>October 1, 2016 | Increases            | Transfers and<br>Decreases | Balance at<br>September 30, 2017 |
|--|-------------------------------|----------------------|----------------------------|----------------------------------|
| Governmental activities:                     |                               |                      |                            |                                  |
| Capital assets not being depreciated:        |                               |                      |                            |                                  |
| Land   | \$ 16,511,038                 | \$ 5,167,958         | \$ -                       | \$ 21,678,996                    |
| Construction in progress                     | 55,954,816                    | 39,503,499           | (38,776,653)               | 56,681,662                       |
| Total capital assets not being depreciated   | 72,465,854                    | 44,671,457           | (38,776,653)               | 78,360,658                       |
| Capital assets being depreciated:            |                               |                      |                            |                                  |
| Buildings                                    | 60,198,181                    | 6,652,860            | -                          | 66,851,041                       |
| Infrastructure                               | 247,724,610                   | 22,088,767           | (26,275)                   | 269,787,102                      |
| Machinery, equipment, and other improvements | 96,103,422                    | 13,855,022           | (5,319,803)                | 104,638,641                      |
| Total capital assets being depreciated       | 404,026,213                   | 42,596,649           | (5,346,078)                | 441,276,784                      |
| Less accumulated depreciation for:           |                               |                      |                            |                                  |
| Buildings                                    | 25,016,438                    | 1,662,662            | -                          | 26,679,100                       |
| Infrastructure                               | 153,559,659                   | 8,793,598            | -                          | 162,353,257                      |
| Machinery, equipment, and other improvements | 60,825,440                    | 8,226,074            | (5,103,856)                | 63,947,658                       |
| Total accumulated depreciation               | 239,401,537                   | 18,682,334           | (5,103,856)                | 252,980,015                      |
| Total capital assets, being depreciated, net | 164,624,676                   | 23,914,315           | (242,222)                  | 188,296,769                      |
| Governmental activities capital assets, net  | <u>\$ 237,090,530</u>         | <u>\$ 68,585,772</u> | <u>\$ (39,018,875)</u>     | <u>\$ 266,657,427</u>            |

(continued)

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

|   | Balance at<br>October 1, 2016 | Increases             | Transfers and<br>Decreases | Balance at<br>September 30, 2017 |
|---|-------------------------------|-----------------------|----------------------------|----------------------------------|
| Business-type activities:                           |                               |                       |                            |                                  |
| Capital assets not being depreciated:               |                               |                       |                            |                                  |
| Land  | \$ 27,181,732                 | \$ 2,230,870          | \$ -                       | \$ 29,412,602                    |
| Construction in progress                            | 236,954,779                   | 234,290,618           | (115,812,033)              | 355,433,364                      |
| Total capital assets not being depreciated          | 264,136,511                   | 236,521,488           | (115,812,033)              | 384,845,966                      |
| Capital assets being depreciated:                   |                               |                       |                            |                                  |
| Buildings   | 19,811,055                    | 4,152,892             | -                          | 23,963,947                       |
| Landfill improvements                               | 25,733,757                    | 1,308,890             | -                          | 27,042,647                       |
| Water rights  | 69,883,098                    | -                     | -                          | 69,883,098                       |
| Infrastructure                                      | 483,042,987                   | 35,986,864            | 26,275                     | 519,056,126                      |
| Plant, machinery, equipment, and other improvements | 366,045,897                   | 86,948,283            | (5,876,057)                | 447,118,123                      |
| Total capital assets being depreciated              | 964,516,794                   | 128,396,929           | (5,849,782)                | 1,087,063,941                    |
| Less accumulated depreciation for:                  |                               |                       |                            |                                  |
| Buildings   | 7,371,790                     | 582,856               | -                          | 7,954,646                        |
| Landfill improvements                               | 20,397,268                    | 2,933,670             | -                          | 23,330,938                       |
| Water rights  | 19,052,407                    | 695,989               | -                          | 19,748,396                       |
| Infrastructure                                      | 143,414,747                   | 12,190,652            | -                          | 155,605,399                      |
| Plant, machinery, equipment, and other improvements | 170,583,430                   | 18,582,018            | (5,339,489)                | 183,825,959                      |
| Total accumulated depreciation                      | 360,819,642                   | 34,985,185            | (5,339,489)                | 390,465,338                      |
| Total capital assets, being depreciated, net        | 603,697,152                   | 93,411,744            | (510,293)                  | 696,598,603                      |
| Business-type activities capital assets, net        | <u>\$ 867,833,663</u>         | <u>\$ 329,933,232</u> | <u>\$ (116,322,326)</u>    | <u>\$ 1,081,444,569</u>          |

Transfers and decreases include \$71,332 (\$24,840 in related accumulated depreciation) transferred from Governmental Activities to Business-Type Equipment.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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

|   |                             |
|---|-----------------------------|
| Governmental activities:  |                             |
| General government  | \$ 2,479,806                |
| Public Safety   | 3,025,318                   |
| Public Works  | 8,574,092                   |
| Parks & Recreation  | 1,978,376                   |
| Capital assets held by the internal service funds are charged to the various functions based upon usage |                             |
|   | <u>2,624,742</u>            |
| Total depreciation expense - governmental activities  | <u><u>\$ 18,682,334</u></u> |
| Business-type activities:   |                             |
| Electric  | \$ 12,056,412               |
| Water   | 7,621,963                   |
| Wastewater  | 7,406,247                   |
| Solid Waste   | 7,259,584                   |
| Airport   | <u>640,979</u>              |
| Total depreciation expense - business-type activities   | <u><u>\$ 34,985,185</u></u> |

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2017. These projects are evidenced by contractual commitments with contractors and include:

| Project                                       | Spent-to-Date  | Remaining<br>Commitment |
|---|----------------|-------------------------|
| Denton Energy Center                          | \$ 126,724,201 | \$ 77,969,569           |
| Mayhill Widening - Phase 4 Construction       | 3,123,636      | 33,446,897              |
| Bonnie Brae Widening - Phase 4 Construction   | 3,314,165      | 8,538,303               |
| Jim Christal Substation                       | 16,044,299     | 4,304,082               |
| Landfill Cell 3 Construction                  | 126,625        | 3,700,358               |
| Bonnie Brae Widening - Phase 1 Engineering    | 5,151,777      | 2,447,797               |
| Fire Station #4 Rebuild                       | 4,647,151      | 1,294,732               |
| Brinker Substation                            | 7,636,925      | 2,174,688               |
| Fire Training Facility                        | 884,640        | 1,971,119               |
| Denton North - Arco Transmission Rebuild      | 334,775        | 2,006,398               |
| Spencer Interchange Substation Reconstruction | 2,006,818      | 1,631,986               |
| Masch Branch Electrical Switch Station        | 1,449,290      | 1,374,722               |
| Mayhill Widening - Phase 1 Engineering        | 5,272,570      | 1,332,142               |
| New Landfill Entrance Road Construction       | 310,209        | 1,330,750               |



**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

**E. Interfund receivables, payables and transfers**

A summary of interfund receivables and payables (in thousands) at September 30, 2017, is as follows:

| Interfund Receivables: |                             |                                    |                 |               |               |                 |
|------------------------|-----------------------------|------------------------------------|-----------------|---------------|---------------|-----------------|
|                        | Governmental<br>Major Funds | Business-Type Major Funds          |                 |               |               |                 |
|                        | General Fund                | Non-Major<br>Governmental<br>Funds | Electric        | Water         | Wastewater    | Total           |
| Interfund Payables:    |                             |                                    |                 |               |               |                 |
| Non-Major              |                             |                                    |                 |               |               |                 |
| Governmental Funds     | \$ 392                      | \$ -                               | \$ -            | \$ -          | \$ -          | \$ 392          |
| Internal Service Funds | 549                         | -                                  | 3,714           | 622           | 215           | 5,100           |
| Total                  | <u>\$ 941</u>               | <u>\$ -</u>                        | <u>\$ 3,714</u> | <u>\$ 622</u> | <u>\$ 215</u> | <u>\$ 5,492</u> |

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 | \$ 3,714,053  |
| Water fund                   | Internal service funds-materials management | 621,449       |
| General fund                 | Internal service funds-materials management | 549,316       |
| Wastewater fund              | Internal service funds-materials management | 215,182       |
| General fund                 | Non-Major Governmental Funds                | 391,722       |

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 |               |                    |                |                 | Total           |
|                              | General Fund             | Capital<br>Projects<br>Fund | Non-Major<br>Governmental<br>Funds | Electric<br>Fund          | Water<br>Fund | Wastewater<br>Fund | Solid<br>Waste | Airport<br>Fund |                 |
| Transfers In:                |                          |                             |                                    |                           |               |                    |                |                 |                 |
| Governmental Major Funds:    |                          |                             |                                    |                           |               |                    |                |                 |                 |
| General Fund                 | \$ -                     | \$ -                        | \$ 74                              | \$ -                      | \$ -          | \$ -               | \$ -           | \$ -            | \$ 74           |
| Debt Service Fund            | -                        | -                           | 125                                | -                         | -             | 233                | -              | -               | 358             |
| Capital Projects Fund        | 6,183                    | -                           | 2,054                              | 295                       | 270           | 256                | 48             | -               | 9,106           |
| Non-Major Governmental Funds | 105                      | 194                         | -                                  | 669                       | 200           | 101                | -              | 50              | 1,319           |
| Electric Fund                | -                        | -                           | -                                  | -                         | -             | 3                  | -              | -               | 3               |
| Water Fund                   | -                        | -                           | -                                  | -                         | -             | 12                 | -              | -               | 12              |
| Wastewater Fund              | -                        | -                           | -                                  | -                         | 461           | -                  | 280            | -               | 741             |
| Solid Waste Fund             | -                        | -                           | 583                                | -                         | -             | -                  | -              | -               | 583             |
| Airport Fund                 | -                        | -                           | 654                                | -                         | -             | -                  | -              | -               | 654             |
| Internal Service Funds       | 5                        | 11                          | -                                  | 5                         | 17            | 5                  | 5              | -               | 48              |
| Total                        | <u>\$ 6,293</u>          | <u>\$ 205</u>               | <u>\$ 3,490</u>                    | <u>\$ 969</u>             | <u>\$ 948</u> | <u>\$ 610</u>      | <u>\$ 333</u>  | <u>\$ 50</u>    | <u>\$12,898</u> |

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

The more significant transfers include the following:

| <u>Transfers from fund</u>                    | <u>Transfers to fund</u>              | <u>Amount</u> |
|---|---------------------------------------|---------------|
| General Fund                                  | Capital Projects                      | \$6,183,326   |
| Non-Major Gov't – Other Special Revenue Funds | Capital Projects                      | 1,242,529     |
| Non-Major Gov't – Other Special Revenue Funds | Business-type Major Funds             | 1,236,747     |
| Business-type Major Funds                     | Non-Major Gov't – Street Improvements | 964,276       |
| Non-Major Gov't – Street Improvements         | Capital Projects                      | 498,647       |
| Water   | Wastewater                            | 460,803       |

Transfers from the General Fund, from the Non-Major Governmental Fund – Other Special Revenue Funds, and from the Non-Major Governmental Fund – Street Improvements to the Capital Projects Fund were to fund capital projects. Transfers from the Non-Major Governmental Fund – Other Special Revenue Funds to the Business-type Major Funds were related to grant activities in the Airport and Solid Waste Funds. 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 issuance of certificates of obligation, which fund street maintenance operations in the Street Improvements Fund. Transfers from the Water Fund to the Wastewater Fund were related to new construction and renovations.

**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>   |
|--|-------------------|
| 2018   | \$ 505,055        |
| 2019   | 4,171             |
| Total minimum lease payments                   | \$ 509,226        |
| Less: amount representing interest             | 11,164            |
| Present value of minimum future lease payments | <u>\$ 498,062</u> |

The following schedule provides an analysis of the City's investments in equipment under capital lease arrangements as of September 30, 2017:

|                                |                    |
|--------------------------------|--------------------|
| Equipment                      | \$ 8,931,366       |
| Less: Accumulated Depreciation | <u>(8,524,967)</u> |
| Total                          | <u>\$ 406,399</u>  |

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

**G. Long-term debt**

Long-term liabilities transactions for the year ended September 30, 2017 are summarized as follows below and on the following pages:

|   | Balance at<br>October 1,<br>2016 | Increases             | Decreases /<br>Transfers | Balance at<br>September 30,<br>2017 | Due Within<br>One Year |
|---|----------------------------------|-----------------------|--------------------------|-------------------------------------|------------------------|
| <b>Governmental Activities:</b>             |                                  |                       |                          |                                     |                        |
| General obligation bonds                    | \$ 109,861,174                   | \$ 27,825,000         | \$ 19,418,511            | \$ 118,267,663                      | \$ 9,854,727           |
| Certificates of obligation                  | 34,565,000                       | 17,000,000            | 2,280,000                | 49,285,000                          | 5,810,000              |
| Obligations under capital leases            | 1,373,230                        | -                     | 875,168                  | 498,062                             | 493,891                |
| Compensated absences payable                | 11,469,135                       | 7,329,966             | 6,707,982                | 12,091,119                          | 5,636,305              |
| Claims payable                              | 4,071,404                        | 23,465,753            | 23,203,144               | 4,334,013                           | 2,237,139              |
| Net pension liability                       | 71,562,651                       | 21,830,031            | 23,790,353               | 69,602,329                          | -                      |
| Other post employment benefits              | 5,401,904                        | 2,027,786             | 330,905                  | 7,098,785                           | -                      |
| Unamortized premium/(discounts)             | 9,250,763                        | 3,334,919             | 1,591,505                | 10,994,177                          | 1,654,874              |
| Total governmental<br>long-term liabilities | <u>\$ 247,555,261</u>            | <u>\$ 102,813,455</u> | <u>\$ 78,197,568</u>     | <u>\$ 272,171,148</u>               | <u>\$ 25,686,936</u>   |
|   | Balance at<br>October 1,<br>2016 | Increases             | Decreases /<br>Transfers | Balance at<br>September 30,<br>2017 | Due Within<br>One Year |
| <b>Business-type Activities:</b>            |                                  |                       |                          |                                     |                        |
| Revenue bonds                               | \$ -                             | \$ 214,890,000        | \$ -                     | \$ 214,890,000                      | \$ -                   |
| General obligation bonds                    | 141,063,826                      | 1,280,000             | 14,666,489               | 127,677,337                         | 16,330,273             |
| Certificates of obligation                  | 416,465,000                      | 73,800,000            | 22,645,000               | 467,620,000                         | 21,945,000             |
| Compensated absences payable                | 3,006,880                        | 2,751,998             | 2,720,043                | 3,038,835                           | 2,537,074              |
| Net pension liability                       | 35,062,028                       | 12,447,613            | 11,960,194               | 35,549,447                          | -                      |
| Other post employment benefits              | 2,946,231                        | 1,178,262             | 193,684                  | 3,930,809                           | -                      |
| Landfill closure/post-closure               | 7,211,859                        | 2,801,893             | -                        | 10,013,752                          | -                      |
| Unamortized premium/(discounts)             | 38,514,640                       | 38,024,957            | 7,510,060                | 69,029,537                          | 7,677,623              |
| Total business-type activities              | <u>644,270,464</u>               | <u>347,174,723</u>    | <u>59,695,470</u>        | <u>931,749,717</u>                  | <u>48,489,970</u>      |
| Total long-term liabilities                 | <u>\$ 891,825,725</u>            | <u>\$ 449,988,178</u> | <u>\$ 137,893,038</u>    | <u>\$ 1,203,920,865</u>             | <u>\$ 74,176,906</u>   |

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and net pension liability 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, 2017**

**General bonded debt** - General bonded debt at September 30, 2017, is comprised of the following:

| General Obligation Bonds and<br>Certificates of Obligation Debt | Interest Rate<br>(%) | Issue Date | Final Maturity | Original<br>Amount of<br>Issue | Gross Amount<br>Outstanding at<br>September 30, 2017 |
|---|----------------------|------------|----------------|--------------------------------|--|
| General obligation  | 4.0 to 4.75          | 2008       | 2028           | \$ 7,300,000                   | \$ 345,000   |
| General obligation  | 3.8 to 4.3           | 2010       | 2030           | 4,115,000                      | 3,085,000  |
| General obligation refunding                                    | 2.0 to 4.75          | 2011       | 2031           | 2,225,000                      | 1,750,000  |
| General obligation refunding                                    | 2.0 to 5.0           | 2012       | 2032           | 14,358,739                     | 10,705,000   |
| General obligation refunding                                    | 2.0 to 4.0           | 2013       | 2033           | 10,221,023                     | 8,327,663  |
| General obligation refunding                                    | 2.0 to 3.5           | 2014       | 2034           | 7,165,000                      | 4,460,000  |
| General obligation refunding                                    | 3.0 to 5.0           | 2015       | 2035           | 36,110,000                     | 34,635,000   |
| General obligation refunding                                    | 3.0 to 5.0           | 2016       | 2036           | 27,635,000                     | 27,135,000   |
| General obligation refunding                                    | 3.0 to 5.0           | 2017       | 2037           | 27,825,000                     | 27,825,000   |
| Total general obligation bonds                                  |                      |            |                | <u>136,954,762</u>             | <u>118,267,663</u>                                   |
| Certificates of obligation                                      | 3.0 to 4.625         | 2008       | 2028           | \$ 7,865,000                   | \$ 460,000   |
| Certificates of obligation                                      | 2.0 to 5.0           | 2010       | 2030           | 2,790,000                      | 720,000  |
| Certificates of obligation                                      | 2.0 to 5.0           | 2011       | 2031           | 3,455,000                      | 865,000  |
| Certificates of obligation                                      | 2.0 to 5.0           | 2012       | 2032           | 4,490,000                      | 1,090,000  |
| Certificates of obligation                                      | 3.0 to 4.0           | 2013       | 2033           | 10,805,000                     | 8,695,000  |
| Certificates of obligation                                      | 2.0 to 5.0           | 2014       | 2039           | 8,635,000                      | 8,065,000  |
| Certificates of obligation                                      | 2.0 to 5.0           | 2015       | 2034           | 7,420,000                      | 5,850,000  |
| Certificates of obligation                                      | 3.0 to 5.0           | 2016       | 2036           | 7,190,000                      | 6,540,000  |
| Certificates of obligation                                      | 3.0 to 5.0           | 2017       | 2037           | 17,000,000                     | 17,000,000   |
| Total certificates of obligation                                |                      |            |                | <u>69,650,000</u>              | <u>49,285,000</u>                                    |
| Total general bonded debt                                       |                      |            |                | <u>\$ 206,604,762</u>          | <u>\$ 167,552,663</u>                                |

[These amounts do not include net unamortized premiums/ (discounts) of \$10,994,177 nor net deferred gain/ (loss) on refunding of (\$2,031,132).]

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, 2017 \$4,510,000 of general obligation bonds and \$2,400,000 of certificates of obligation considered defeased are still outstanding.

In May 2017, the City issued \$90,800,000 (\$73,800,000 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 in the Capital Projects Fund (\$17,000,000), Electric (\$60,820,000), and Solid Waste (\$12,980,000).

In May 2017, the City issued \$29,105,000 (\$1,280,000 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 \$307,304 (\$43,088 of which is reported as a loss

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

in business-type activities). This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over 6 years by \$862,067 and resulted in a net present value savings of \$828,733. The improvement portion of the bonds was issued to pay the costs of various capital improvements in the Capital Projects Fund for \$16,590,000.

**Business-type revenue bonds** – Revenue bond debt at September 30, 2017, is comprised of the following issues:

| Revenue Bonds       | Interest Rate<br>(%) | Issue Date | Final Maturity | Original Amount<br>of Issue | Gross Amount<br>Outstanding at<br>September 30, 2017 |
|---------------------|----------------------|------------|----------------|-----------------------------|--|
| Utility system      | 3.25 to 5.0          | 2017       | 2037           | \$ 214,890,000              | \$ 214,890,000                                       |
| Total revenue bonds |                      |            |                | <u>\$ 214,890,000</u>       | <u>\$ 214,890,000</u>                                |

[These amounts do not include net unamortized premiums/(discounts) of \$30,379,082.]

The revenue bonds are collateralized by the revenue of the Denton utility system funds (System) and the related interest and sinking fund. The ordinance provides that the revenue of the System is to be used first to pay operating and maintenance expenses of the System and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions, which among other items restrict the issuance of additional revenue bonds unless certain financial ratios are met. Management believes the City is in compliance with all significant requirements. The interest and sinking fund had a net position balance of \$2,671,250 as of September 30, 2017 and is restricted for debt service.

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, 2017, \$20,290,000 of revenue bonds considered defeased are still outstanding.

In January 2017, the City issued \$214,890,000 (all of which is included as part of business-type activities) in revenue bond debt. The debt was issued to acquire and construct additions and improvements to the City's electric light and power system including new quick start peak power generation facilities.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

**Business-type general obligation bonds and certificates of obligation** – General obligation bonds and certificates of obligation issued for electric, water, wastewater, and solid waste funds at September 30, 2017, is comprised of the following:

| General Obligation Bonds and<br>Certificates of Obligation Debt | Interest Rate<br>(%) | Issue Date | Final Maturity | Original Amount<br>of Issue | Gross Amount<br>Outstanding at<br>September 30, 2017 |
|---|----------------------|------------|----------------|-----------------------------|--|
| General obligation refunding                                    | 3.0 to 5.0           | 2010       | 2022           | \$ 35,815,000               | \$ 17,075,000  |
| General obligation refunding                                    | 2.0 to 4.75          | 2011       | 2031           | 8,620,000                   | 2,130,000  |
| General obligation refunding                                    | 2.0 to 5.0           | 2012       | 2032           | 19,231,261                  | 13,425,000   |
| General obligation refunding                                    | 2.0 to 4.0           | 2013       | 2033           | 513,977                     | 402,337  |
| General obligation refunding                                    | 3.0 to 5.0           | 2014A      | 2039           | 27,155,000                  | 24,330,000   |
| General obligation refunding                                    | 3.0 to 5.0           | 2015       | 2035           | 1,530,000                   | 1,035,000  |
| General obligation refunding                                    | 4.0 to 5.0           | 2015A      | 2026           | 33,945,000                  | 28,280,000   |
| 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   |
| General obligation refunding                                    | 3.0 to 5.0           | 2017       | 2022           | 1,280,000                   | 1,280,000  |
| Total general obligation bonds                                  |                      |            |                | <u>167,810,238</u>          | <u>127,677,337</u>                                   |
| Certificates of obligation                                      | 4.0 to 5.0           | 2008       | 2028           | 2,820,000                   | 45,000   |
| Certificates of obligation                                      | 2.0 to 5.0           | 2010       | 2030           | 58,295,000                  | 40,270,000   |
| Certificates of obligation                                      | 2.0 to 5.0           | 2010       | 2025           | 58,820,000                  | 36,435,000   |
| Certificates of obligation                                      | 2.0 to 5.0           | 2011       | 2031           | 28,645,000                  | 19,225,000   |
| Certificates of obligation                                      | 2.0 to 5.0           | 2012       | 2032           | 40,185,000                  | 29,265,000   |
| Certificates of obligation                                      | 3.0 to 4.0           | 2013       | 2033           | 52,715,000                  | 41,280,000   |
| Certificates of obligation                                      | 2.0 to 5.0           | 2014       | 2039           | 80,545,000                  | 72,565,000   |
| Certificates of obligation                                      | 2.0 to 5.0           | 2015       | 2034           | 85,595,000                  | 80,645,000   |
| Certificates of obligation                                      | 3.0 to 5.0           | 2016       | 2046           | 76,115,000                  | 74,090,000   |
| Certificates of obligation                                      | 3.0 to 5.0           | 2017       | 2047           | 73,800,000                  | 73,800,000   |
| Total certificates of obligation                                |                      |            |                | <u>557,535,000</u>          | <u>467,620,000</u>                                   |
| Total business-type G.O./C.O.<br>bonds                          |                      |            |                | <u>\$ 725,345,238</u>       | <u>\$ 595,297,337</u>                                |

[These amounts do not include net unamortized premiums/ (discounts) of \$38,650,455 nor net deferred gain/ (loss) on refunding of (\$4,407,982.)]

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

**Schedule of long-term debt maturities**

Aggregate maturities of the long-term debt (principal and interest) for the years subsequent to September 30, 2017 are shown below:

Governmental Activities:

| Fiscal Year | General Obligation    |                      | Certificates of Obligation |                      | Capital Leases    |                  | Total                 |                      |
|-------------|-----------------------|----------------------|----------------------------|----------------------|-------------------|------------------|-----------------------|----------------------|
|             | Principal             | Interest             | Principal                  | Interest             | Principal         | Interest         | Principal             | Interest             |
| 2018        | \$ 9,854,727          | \$ 4,431,196         | \$ 5,810,000               | \$ 2,133,660         | \$ 493,891        | \$ 11,164        | \$ 16,158,618         | \$ 6,576,020         |
| 2019        | 9,614,980             | 4,060,101            | 5,035,000                  | 1,784,850            | 4,171             | -                | 14,654,151            | 5,844,951            |
| 2020        | 9,220,424             | 3,669,501            | 4,825,000                  | 1,571,837            | -                 | -                | 14,045,424            | 5,241,338            |
| 2021        | 9,290,678             | 3,269,757            | 4,230,000                  | 1,361,513            | -                 | -                | 13,520,678            | 4,631,270            |
| 2022        | 8,765,878             | 2,871,189            | 3,650,000                  | 1,171,175            | -                 | -                | 12,415,878            | 4,042,364            |
| 2023-2027   | 35,570,976            | 9,531,868            | 10,960,000                 | 4,119,819            | -                 | -                | 46,530,976            | 13,651,687           |
| 2028-2032   | 21,340,000            | 4,308,112            | 9,070,000                  | 2,000,834            | -                 | -                | 30,410,000            | 6,308,946            |
| 2033-2037   | 14,610,000            | 995,184              | 5,705,000                  | 412,047              | -                 | -                | 20,315,000            | 1,407,231            |
| Total       | <u>\$ 118,267,663</u> | <u>\$ 33,136,908</u> | <u>\$ 49,285,000</u>       | <u>\$ 14,555,735</u> | <u>\$ 498,062</u> | <u>\$ 11,164</u> | <u>\$ 168,050,725</u> | <u>\$ 47,703,807</u> |

Business-Type Activities:

| Fiscal Year | General Obligation    |                      | Certificates of Obligation |                       | Revenue               |                       | Total                 |                       |
|-------------|-----------------------|----------------------|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|             | Principal             | Interest             | Principal                  | Interest              | Principal             | Interest              | Principal             | Interest              |
| 2018        | \$ 16,330,273         | \$ 5,490,642         | \$ 21,945,000              | \$ 19,773,437         | \$ -                  | \$ 10,685,000         | \$ 38,275,273         | \$ 35,949,079         |
| 2019        | 18,990,020            | 4,675,888            | 22,790,000                 | 18,239,294            | -                     | 10,685,000            | 41,780,020            | 33,600,182            |
| 2020        | 19,914,576            | 3,793,394            | 23,210,000                 | 17,184,794            | 7,580,000             | 10,495,500            | 50,704,576            | 31,473,688            |
| 2021        | 17,019,322            | 2,942,088            | 22,465,000                 | 16,099,082            | 7,970,000             | 10,106,750            | 47,454,322            | 29,147,920            |
| 2022        | 15,124,122            | 2,156,195            | 22,310,000                 | 15,043,049            | 8,375,000             | 9,698,125             | 45,809,122            | 26,897,369            |
| 2023-2027   | 33,569,024            | 4,252,700            | 102,735,000                | 60,912,479            | 48,695,000            | 41,682,125            | 184,999,024           | 106,847,304           |
| 2028-2032   | 6,730,000             | 285,500              | 94,750,000                 | 39,791,438            | 62,290,000            | 28,092,500            | 163,770,000           | 68,169,438            |
| 2033-2037   | -                     | -                    | 58,055,000                 | 24,232,513            | 79,980,000            | 10,397,250            | 138,035,000           | 34,629,763            |
| 2038-2042   | -                     | -                    | 54,640,000                 | 14,198,175            | -                     | -                     | 54,640,000            | 14,198,175            |
| 2043-2047   | -                     | -                    | 44,720,000                 | 3,322,122             | -                     | -                     | 44,720,000            | 3,322,122             |
| Total       | <u>\$ 127,677,337</u> | <u>\$ 23,596,407</u> | <u>\$ 467,620,000</u>      | <u>\$ 228,796,383</u> | <u>\$ 214,890,000</u> | <u>\$ 131,842,250</u> | <u>\$ 810,187,337</u> | <u>\$ 384,235,040</u> |

[These amounts do not include net unamortized premiums/ (discounts) of \$80,023,714 nor net deferred gain/ (loss) on refunding of (\$6,439,114).]

**Bonds authorized and unissued**

General obligation bonds authorized but unissued as of September 30, 2017 amounted to \$53,785,000. 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 2017 engineering study, total landfill closure and post-closure cost increased from \$16,706,340 at September 30, 2016 to \$20,351,142 at September 30, 2017. The \$10,013,752 reported as landfill closure and post-closure care liability is a \$2,801,893 increase from the \$7,211,859 liability reported on September 30, 2016. This liability represents the cumulative amount incurred to date based on the use of 46.9% of the estimated capacity of the entire landfill at September 30, 2017.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill is \$16,590,680. 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 2017. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 11 years, and the City expects to close the landfill in fiscal year 2028.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

The solid waste fund has provided for a reservation and designation of cash and investments of \$8,654,114 at September 30, 2017, 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 of Denton participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly-available comprehensive annual financial report (CAFR) obtainable at [www.tmr.com](http://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.

Upon retirement, benefits depend on the sum of the employee's contributions, with interest, and the city-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit adopted times and employee's deposits that would have been made, based on the average salary prior to participation, for the number of months the employee has been employed, accruing 3% annual interest, and including the matching ratio adopted by the City. 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. 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, 2017**

**Employees covered by benefit terms**

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

|  |              |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 520          |
| Inactive employees entitled to but not yet receiving benefits    | 478          |
| Active employees   | <u>1,245</u> |
| Total  | <u>2,243</u> |

**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 17.23% and 17.30% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$14,648,606 and were equal to the required contributions.

**Net pension liability**

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

**Actuarial assumptions**

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

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

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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

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

**Discount rate**

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

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

**Changes in the net pension liability**

|  | Increase (Decrease)        |                                |                          |
|--|----------------------------|--------------------------------|--------------------------|
|  | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability |
|  | (a)                        | (b)                            | (a) - (b)                |
| Balance at 12/31/2015  | \$ 409,277,260             | \$ 324,618,549                 | \$ 84,658,711            |
| Changes for the year:  |                            |                                |                          |
| Service cost   | 13,925,238                 | -                              | 13,925,238               |
| Interest   | 27,656,654                 | -                              | 27,656,654               |
| Difference between expected<br>and actual experience             | 763,589                    | -                              | 763,589                  |
| Contributions - employer   | -                          | 14,046,860                     | (14,046,860)             |
| Contributions - employee   | -                          | 5,712,464                      | (5,712,464)              |
| Net investment income  | -                          | 21,947,635                     | (21,947,635)             |
| Benefit payments, including refunds<br>of employee contributions | (13,023,330)               | (13,023,330)                   | -                        |
| Administrative expense   | -                          | (247,766)                      | 247,766                  |
| Other changes  | -                          | (13,349)                       | 13,349                   |
| Net changes  | 29,322,151                 | 28,422,514                     | 899,637                  |
| Balance at 12/31/2016  | \$ 438,599,411             | \$ 353,041,063                 | \$ 85,558,348            |

**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<br>Discount Rate<br>(5.75%) | Current<br>Discount Rate<br>(6.75%) | 1% Increase in<br>Discount Rate<br>(7.75%) |
|------------------------------|--|-------------------------------------|--|
| City's net pension liability | \$ 151,647,722                             | \$ 85,558,348                       | \$ 31,623,977                              |

**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](http://www.tmrs.com).

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

For the year ended September 30, 2017, the City recognized pension expense of \$19,051,014. This amount is included as part of personal services expenses.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between projected and actual investment earnings | \$ 14,589,173                     | \$ (28,706)                      |
| Contributions subsequent to the measurement date             | 11,269,409                        | -                                |
| Differences between expected and actual economic experience  | 613,276                           | (984,869)                        |
| Difference in assumption changes                             | -                                 | (256,929)                        |
| Total  | <u>\$ 26,471,858</u>              | <u>\$ (1,270,504)</u>            |

\$11,269,409 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<br>Year Ended<br>December 31st |                     |
|--|---------------------|
| 2017                                       | \$ 4,832,223        |
| 2018                                       | 4,832,224           |
| 2019                                       | 4,112,336           |
| 2020                                       | 143,138             |
| 2021                                       | 12,024              |
| Total                                      | <u>\$13,931,945</u> |

**Supplemental death benefit fund**

The City of Denton also participates in the 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 1<sup>st</sup> of any year to be effective the following January 1<sup>st</sup>.

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 the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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, 2015, 2016, and 2017, were \$133,686, \$149,630, and \$152,556, 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 they had remained a Denton firefighter and attained age 50. As of the December 31, 2015 actuarial valuation date, the plan effective January 1, 2011 provides 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 their 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.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

**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 17.41% in calendar year 2016 and 17.48% in calendar year 2017 until mid-December when the rate changed to 18.5%. 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, 2017 were \$2,814,029.

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, 2016, the money-weighted rate of return on pension plan investments was 10.17%. 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and rolled forward to December 31, 2016.

**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, 2017**

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:

| Asset Class                 | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return<br>(Arithmetic) |
|-----------------------------|----------------------|--|
| 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                       | 100.0%               |  |

**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, 2017**

**Changes in the net pension liability**

|  | Increase (Decrease)        |                                |                          |
|--|----------------------------|--------------------------------|--------------------------|
|  | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability |
|  | (a)                        | (b)                            | (a) - (b)                |
| Balance at 12/31/2015  | \$ 89,942,685              | \$ 67,976,717                  | \$ 21,965,968            |
| Changes for the year:  |                            |                                |                          |
| Service cost   | 3,089,911                  | -                              | 3,089,911                |
| Interest   | 6,135,588                  | -                              | 6,135,588                |
| Contributions - employer   | -                          | 2,759,844                      | (2,759,844)              |
| Contributions - employee   | -                          | 1,997,155                      | (1,997,155)              |
| Net investment income  | -                          | 6,935,215                      | (6,935,215)              |
| Benefit payments, including refunds<br>of employee contributions | (4,270,006)                | (4,270,006)                    | -                        |
| Administrative expense   | -                          | (94,175)                       | 94,175                   |
| Other changes  | -                          | -                              | -                        |
| Net changes  | 4,955,493                  | 7,328,033                      | (2,372,540)              |
| Balance at 12/31/2016  | <u>\$ 94,898,178</u>       | <u>\$ 75,304,750</u>           | <u>\$ 19,593,428</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<br>Discount Rate<br>(5.75%) | Current<br>Discount Rate<br>(6.75%) | 1% Increase in<br>Discount Rate<br>(7.75%) |
|------------------------------|--|-------------------------------------|--|
| City's net pension liability | \$ 31,679,502                              | \$ 19,593,428                       | \$ 9,414,393                               |

**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.

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

For the year ended September 30, 2017, the City recognized pension expense of \$3,983,918. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. This amount is included as part of personnel services expenses.



**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between projected and actual investment earnings | \$ 5,058,092                      | \$ (1,866,823)                   |
| Contributions subsequent to the measurement date             | 2,152,993                         | -                                |
| Differences between expected and actual economic experience  | -                                 | (1,641,453)                      |
| Difference in assumption changes                             | 1,855,036                         | -                                |
| Total  | <u>\$ 9,066,121</u>               | <u>\$ (3,508,276)</u>            |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,152,993 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 and the City's fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Measurement<br>Year Ended<br>December 31st |                     |
|--|---------------------|
| 2017                                       | \$ 1,263,085        |
| 2018                                       | 1,263,085           |
| 2019                                       | 1,214,160           |
| 2020                                       | (439,253)           |
| 2021                                       | 27,452              |
| Thereafter                                 | 76,323              |
| Total                                      | <u>\$ 3,404,852</u> |

**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, 2017, 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.

**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

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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.

The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2017:

|  |                            |
|--|----------------------------|
| Annual required contribution               | \$ 3,438,549               |
| Interest on prior year net OPEB obligation | 333,925                    |
| Adjustment to annual required contribution | <u>(566,426)</u>           |
| Annual OPEB cost                           | 3,206,048                  |
| Contributions made                         | <u>(524,589)</u>           |
| Increase in net OPEB obligation            | 2,681,459                  |
| Net OPEB obligation - beginning of year    | <u>8,348,135</u>           |
| Net OPEB obligation - end of year          | <u><u>\$11,029,594</u></u> |
|  |                            |
| Percentage of OPEB costs contributed       | 16.4%                      |

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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

**Three-Year Trend Information for OPEB Funding**

| Year ending          | 9/30/2017    | 9/30/2016    | 9/30/2015    |
|----------------------|--------------|--------------|--------------|
| Annual OPEB costs    | \$ 3,206,048 | \$ 3,279,833 | \$ 1,716,639 |
| Actual contributions | \$ 524,589   | \$ 630,522   | \$ 671,072   |
| Percent contributed  | 16.4%        | 19.2%        | 39.1%        |
| Net OPEB obligation  | \$11,029,594 | \$ 8,348,135 | \$ 5,698,824 |

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.

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:

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

**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<br>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 years 2016 and 2017, 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, 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, 2017**

**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, 2017 the estimated value of these liabilities was \$4,334,013. Changes in balances of claims liabilities during fiscal years 2017 and 2016 were as follows:

|                                  | Claims Liability<br>Beginning of<br>Fiscal Year | Claims and<br>Change in<br>Estimates | Claims<br>Payments | Claims Liability<br>End of Fiscal<br>Year |
|----------------------------------|---|--------------------------------------|--------------------|---|
| <b>Workers'<br/>Compensation</b> |   |                                      |                    |   |
| 2017                             | \$ 1,887,296                                    | \$ 1,059,062                         | \$ 1,284,456       | \$ 1,661,902                              |
| 2016                             | 2,418,984                                       | 51,307                               | 582,995            | 1,887,296                                 |
| <b>General Liability</b>         |   |                                      |                    |   |
| 2017                             | \$ 609,030                                      | \$ 442,108                           | \$ 206,366         | \$ 844,772                                |
| 2016                             | 523,794   | 577,677                              | 492,441            | 609,030                                   |
| <b>Health Insurance</b>          |   |                                      |                    |   |
| 2017                             | \$ 1,575,078                                    | \$ 21,964,583                        | \$ 21,712,322      | \$ 1,827,339                              |
| 2016                             | 1,780,201                                       | 20,229,928                           | 20,435,051         | 1,575,078                                 |

On September 30, 2017, the City of Denton held additional amounts in unrestricted net position of \$863,295 in the Risk Retention Fund and \$4,843,341 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, 2017**

**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, 2017, total TMPA long-term debt outstanding was approximately \$301,629,000. The City's portion of this debt due to contractual obligations with TMPA is \$21,395,608, all due in the next fiscal year (\$21,175,395 of principal and \$220,213 in related interest).

In January 2016 and again in June 2017, TMPA issued requests for proposals (RFPs) regarding the proposed sale of the agency's generation and transmission assets. Certain proposals received in connection with the 2016 RFP were pursued in 2016 and into 2017, but negotiations were ultimately discontinued. TMPA received additional proposals in the summer and fall of 2017 and is reviewing them.

The proposals involve two cooperating entities, neither of which is a governmental entity. One proposer is interested in ownership of Gibbons Creek, and the other proposer has expressed interest in acquiring a portion of TMPA's transmission facilities. The proposals are under evaluation by TMPA, and negotiations with the proposers have not yet commenced.

TMPA management anticipates, that if any negotiations are pursued with respect to the sale proposals, that (i) none of TMPA's generation assets would be transferred prior to September 1, 2018, and (ii) none of TMPA's transmission assets would be transferred prior to the first date, September 1, 2020, when all transmission debt is subject to optional or mandatory redemption or could otherwise be prepaid.

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, generation, and transmission) and requiring separate budgets and books for each business function.

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

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

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 (Amendment No. 1). 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. As the sale contemplated by Amendment No. 1 did not occur, by its own terms, Amendment No. 1 ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time (Amendment No. 2). The purposes of this amendment are to: continue TMPA's authority to issue mine reclamation bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize TMPA to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying cities.

Effective October 17, 2017, Gibbons Creek entered into a seasonal operations mode, operating during the summer months only (June-September). This change was authorized by ERCOT through a Notification of Suspension of Operations (NSO) Initial and Final Determination, dated August 2017. Due to the significant decline in service utility of the generation assets, such assets were deemed impaired as of September 30, 2017. The City also impaired its TMPA prepaid purchase power due to the seasonality changes. Of the \$43,378,333 balance in TMPA prepaid purchase power outstanding as of September 30, 2017 as part of the City's total prepaid balance in the Electric fund, \$26,930,415 was impaired and recorded as an Other Asset to be amortized over 7.5 years.

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

Selected financial statement information of TMPA is as follows:

|                                    | September 30 |            |
|------------------------------------|--------------|------------|
|                                    | (Unaudited)  |            |
|                                    | 2017         | 2016       |
|                                    | (000s)       | (000s)     |
| Operating revenues                 | \$277,155    | \$ 273,272 |
| Operating expenses                 | 121,245      | 112,506    |
| Operating income                   | 155,910      | 160,766    |
| Other non-operating sources (uses) | 2,922        | 393        |
| Current unrestricted assets        | 52,658       | 59,520     |
| Total assets and deferred outflows | 407,095      | 581,325    |
| Long-term debt – Noncurrent        | 207,824      | 299,350    |
| Total liabilities                  | 362,208      | 548,931    |
| Total net position                 | 44,887       | 32,394     |

Financial statements for TMPA are available from the TMPA website [www.texasmpa.org](http://www.texasmpa.org).

**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                | \$ 714,286           |
| Capital Projects Fund       | 56,177,907           |
| Nonmajor Governmental Funds | 1,249,777            |
| Total                       | <u>\$ 58,141,970</u> |

**F. Tax Abatements**

The City enters into economic development incentive agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. Some agreements provide for an abatement of property taxes, while others provide for a rebate of a portion of sales and use tax or a portion of ad valorem (property) tax, as established per the agreements. The incentives are performance-based, and the City generally expects to receive increased revenue as a result of the agreements. These incentive agreements require approval by a City Council ordinance and are authorized under Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code and Chapter 380 of the Texas Local Government Code.

**Property Tax Abatements**

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. For the fiscal year ended September 30, 2017, the City abated property taxes totaling \$876,148 under this program, as detailed in the following agreements:



**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

- Aldi Foods – In 2007, a 100% tax abatement on all new valuation, except land, for a term of up to seven years was granted to Aldi Foods for a 500,000 square foot distribution center. The abatement amount is based on the cost incurred by Aldi to construct a road to the site. The abatement amount for the current fiscal year was \$384,478, which was the final abatement on this agreement.
- Target – In 2010, a 65% tax abatement agreement for a \$100 million project was granted to Target Corporation for a period of five years for a 400,000 square foot frozen and refrigerated food distribution center and to help offset costs to improve Airport and Corbin roads. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least \$5 million, the agreement provides for a full refund all abatements previously granted plus interest. The abatement amount for the current fiscal year was \$452,331, with one year remaining.
- Tetra Pak – In 2013, a 65% tax abatement agreement for a term of four years was granted to Tetra Pak Materials LP on new capital investments, including a 32,000 square foot expansion of their facility and relocating their corporate headquarter operations from Chicago to Denton. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least \$5 million, the agreement provides for a full refund all abatements previously granted plus interest. The abatement amount for the current fiscal year was \$39,339, with two years remaining.

The City has two additional abatement agreements not listed above becoming effective in future fiscal years should the grantees meet the obligations of the agreements.

### **380 Agreements**

The City Council has the authority under Chapter 380 of the Texas Local Government Code to grant or loan City funds in order to accomplish specific economic development goals. These incentives are considered on a case-by-case basis. The City has target industry sectors for recruitment that will be given priority consideration: aviation/aerospace, advanced manufacturing, renewable energy, research and development, information technology, supply chain for existing primary employers, and significant consumers of municipal utilities. Consideration may also be given for projects causing infill redevelopment or other desirable development objectives and/or any other activity which the City Council determines meets a specific public purpose for economic development.

Each agreement is based on the contribution in sales or property tax or both. For the fiscal year ended September 30, 2017, the City rebated sales taxes totaling \$2,630,275 and property taxes totaling \$155,503, as detailed in the following agreements:

- Denton Crossing – In 2001, an agreement was approved for the 500,000 square foot, \$50 million Denton Crossing retail center. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of 15 years as reimbursement for public improvement costs related to the project not to exceed \$7,250,000 plus accrued interest. The tax rebates initiated in 2005 and will terminate in 2020. The tax rebate amount for the current fiscal year was \$547,701.
- Unicorn Lake – In 2004, an agreement was approved for Unicorn Lake, an urban-style mixed-use development. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed \$6,664,901 plus accrued interest. The tax rebates initiated in 2010 and will terminate in 2025. The tax rebate amount for the current fiscal year was \$71,158.
- Rayzor Ranch – In 2007, an agreement was approved for the Rayzor Ranch mixed-use development. The 410-acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated by the project for public improvement costs, which include the widening of a state highway bisecting the project. The grantee will receive a maximum of \$20 million over a 15 year term for phase

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

one and a maximum of \$48 million over a term of 20 years for phase two. An additional 15% of the City sales tax, or 0.225%, was added to both phases to offset the hotel and convention center costs until \$5 million is reached. As of the current fiscal year, only phase one has initiated tax rebates which was \$1,180,743.

- Schlumberger – In 2010, an agreement was granted to Grand Mesa for the renovation and equipping of the building for Schlumberger. The agreement was assigned to Schlumberger Technology Corporation in 2012 equal to one half of new property tax revenue generated for their 150,000 square foot regional maintenance facility. Agreement thresholds require maintaining \$5 million in real property improvements and business personal property valuation and the creation of 80 jobs with an average wage of \$45,000. The term of the agreement is seven years and will terminate in 2018. In the event of a failure to meet the conditions of the agreement, the agreement provides for a full refund of all rebates previously granted plus interest. The tax rebate amount for the current fiscal year was \$40,388.
- Golden Triangle Mall – In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum \$45 to \$65 million was required as an investment into the property to receive a one half share of the sales tax resulting from the renovations, less a monthly mall baseline amount established at \$95,898. The total grant payments are estimated between \$7.12 and \$9.5 million and may not exceed 15.83% of the required investment. The tax rebates initiated in 2016 and will terminate in 2035. The tax rebate amount for the current fiscal year was \$132,577.
- Mayday Manufacturing – In 2012, an agreement was approved for Mayday Manufacturing/Tailwind Technologies for the relocation of the business and expansion of a manufacturing facility. The agreement provides a 75% tax rebate on the increment of property tax revenue generated above the base valuation for a period of ten years. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least \$3 million, the agreement provides for a 50% refund of all rebates previously granted. The tax rebate amount for the current fiscal year was \$26,621.
- West Gate Business Park – In 2015, an agreement was approved for West Gate Business Park (WGBP) for industrial development and provided for a 70% rebate of increased City property tax revenue generated for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in the City. In 2016 the agreement was amended to include a 70% rebate on building 1 improvements and to add a one-time grant payment in the amount of \$50,000. A separate tax abatement agreement for building 2 and 3 was also approved so WGBP could be eligible to apply for a tax abatement from Denton County. The terms of the agreement include a 60% abatement of City property taxes attributable to new capital investments resulting in an increased assessed value of real property improvements. The amount of the abatement may be increased by an additional 5% for a national headquarters and/or 10% for a supplier in support of major employers in Denton. The one-time grant payment of \$50,000 occurred in the current fiscal year along with the tax rebate amount of \$38,494.
- WinCo Foods – In 2015, an agreement was approved for WinCo Foods for a \$135 million, 800,000 square foot distribution facility expected to create 165 jobs with an annual payroll of around \$7.2 million. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 20-50% refund of all rebates previously granted, depending on the timing of a failure. The agreement provides for the following:

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

- A reimbursement of up to \$1,000,000 in infrastructure financing for water improvements and up to \$865,000 for sewer improvements. This payment was made during the current fiscal year from the Water and Wastewater funds.
  - A grant equal to 100% of local Sales and Use Tax receipts collected by the City on construction materials and furniture, fixtures, and equipment purchases for the development of the property. The tax rebate amount for the current fiscal year was \$361,030.
  - A grant equal to 100% of the incremental property tax generated by the property and paid into the Tax Increment Fund by both the City and the County, paid annually until the full reimbursement of the project costs for public improvements is reached. These payments have not initiated as of the current fiscal year.
  - A grant equal to 60% of City property taxes attributable to improvements resulting in an increase of assessed value of real property improvements and tangible personal property, paid annually until full reimbursement of the project costs for public improvements is reached. Once this full reimbursement is reached, the 60% property tax rebate will continue for a period of four years as long as the increase in investment in improvements is \$50 million excluding purchase price of the property. These payments have not initiated as of the current fiscal year.
- O'Reilly Hotel Partners Denton – In 2015, an agreement was approved for O'Reilly Hotel Partners Denton for a convention center with a hotel and restaurant located in the Rayzor Ranch Town Center. The agreement includes a 100% rebate of the property tax (excluding land), hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or a combined principal (\$28 million) and interest (\$26 million) amount of \$54 million is reached, whichever comes first. The agreement also includes 100% rebate of the construction sales tax up to \$850,000, then 50% thereafter. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 100% refund of all rebates granted in the previous year. The tax rebate amount for the current fiscal year was accrued and is scheduled for payment in the following fiscal year in the amount of \$377,066.

The City has two additional Chapter 380 agreements not listed above becoming effective in future fiscal years should the grantees meet the obligations of the agreements.

#### **G. 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, 2017. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2017.

#### **H. Subsequent events**

The City has evaluated all events or transactions that occurred after September 30, 2017 up through March 2, 2018, the date the financial statements were issued. There were no significant subsequent events to disclose.

#### **I. New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued the following statements which became effective for the fiscal year 2017.

Statement No. 77 “Tax Abatement Disclosures” – This Statement requires governments entering into tax abatement agreements to provide certain disclosures regarding these commitments such as

**CITY OF DENTON, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS (continued)**  
**SEPTEMBER 30, 2017**

descriptions of the agreements, the amounts abated, and any additional commitments by the governments in addition to tax abatements. The Statement had no financial impact. See note V.F. 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 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. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14" – This Statement amends the blending requirements established in Statement No. 14, adding additional criterion required for blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement will become effective for the City in fiscal year 2018.

Statement No. 81 "Irrevocable Split-Interest Agreements" – This Statement establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary, who administers these resources for the unconditional benefit of a government and at least one other beneficiary. This Statement will become effective for the City in fiscal year 2018.

Statement No. 82 "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73" – This Statement establishes and clarifies accounting and financial reporting requirements for pensions provided to the employees of state or local governmental employers, specifically (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. This Statement will become effective for the City in fiscal year 2018.

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**CITY OF DENTON, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST THREE FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)<sup>1</sup>**

**Exhibit XII**

|   | Measurement<br>Year<br>2014 | Measurement<br>Year<br>2015 | Measurement<br>Year<br>2016 |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>Total pension liability:</b>   |                             |                             |                             |
| Service Cost  | \$ 10,667,694               | \$ 12,615,957               | \$ 13,925,238               |
| Interest (on the total pension liability)                                     | 25,182,941                  | 26,905,700                  | 27,656,654                  |
| Difference between expected and actual experience                             | (171,241)                   | (1,525,911)                 | 763,589                     |
| Change of assumptions   | -                           | (428,789)                   | -                           |
| Benefit payments, including refunds of employee contributions                 | (11,387,617)                | (12,697,735)                | (13,023,330)                |
| <b>Net change in total pension liability</b>                                  | <b>24,291,777</b>           | <b>24,869,222</b>           | <b>29,322,151</b>           |
| <b>Total pension liability - beginning</b>                                    | <b>360,116,261</b>          | <b>384,408,038</b>          | <b>409,277,260</b>          |
| <b>Total pension liability - ending (a)</b>                                   | <b>\$ 384,408,038</b>       | <b>\$ 409,277,260</b>       | <b>\$ 438,599,411</b>       |
| <b>Plan fiduciary net position:</b>   |                             |                             |                             |
| Contributions - employer  | \$ 13,065,763               | \$ 13,615,410               | \$ 14,046,860               |
| Contributions - employee  | 4,991,415                   | 5,365,231                   | 5,712,464                   |
| Net investment income   | 16,867,596                  | 469,530                     | 21,947,635                  |
| Benefit payments, including refunds of employee contributions                 | (11,387,617)                | (12,697,735)                | (13,023,330)                |
| Administrative expense  | (176,083)                   | (285,957)                   | (247,766)                   |
| Other   | (14,477)                    | (14,123)                    | (13,349)                    |
| <b>Net change in plan fiduciary net position</b>                              | <b>23,346,597</b>           | <b>6,452,356</b>            | <b>28,422,514</b>           |
| <b>Plan fiduciary net position - beginning</b>                                | <b>294,819,596</b>          | <b>318,166,193</b>          | <b>324,618,549</b>          |
| <b>Plan fiduciary net position - ending (b)</b>                               | <b>\$ 318,166,193</b>       | <b>\$ 324,618,549</b>       | <b>\$ 353,041,063</b>       |
| <b>Net pension liability - ending (a) - (b)</b>                               | <b>\$ 66,241,845</b>        | <b>\$ 84,658,711</b>        | <b>\$ 85,558,348</b>        |
| <b>Plan fiduciary net position as a percentage of total pension liability</b> | <b>82.77%</b>               | <b>79.32%</b>               | <b>80.49%</b>               |
| <b>Covered employee payroll</b>   | <b>\$ 71,025,494</b>        | <b>\$ 76,646,157</b>        | <b>\$ 81,481,789</b>        |
| <b>Net pension liability as a percentage of covered employee payroll</b>      | <b>93.26%</b>               | <b>110.45%</b>              | <b>105.00%</b>              |

<sup>1</sup>Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

**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 THREE FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)<sup>1</sup>**

**Exhibit XIII**

|  | Measurement<br>Year<br>2014 | Measurement<br>Year<br>2015 | Measurement<br>Year<br>2016 |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>Total pension liability:</b>  |                             |                             |                             |
| Service Cost   | \$ 2,747,253                | \$ 2,836,263                | \$ 3,089,911                |
| Interest (on the total pension liability)                              | 5,685,396                   | 5,998,959                   | 6,135,588                   |
| Difference between expected and actual experience                      | -                           | (2,063,421)                 | -                           |
| Change of assumptions  | -                           | 2,331,908                   | -                           |
| Benefit payments, including refunds of employee contributions          | (4,036,009)                 | (4,048,358)                 | (4,270,006)                 |
| Net change in total pension liability                                  | 4,396,640                   | 5,055,351                   | 4,955,493                   |
| Total pension liability - beginning                                    | 80,490,694                  | 84,887,334                  | 89,942,685                  |
| Total pension liability - ending (a)                                   | <u>\$ 84,887,334</u>        | <u>\$ 89,942,685</u>        | <u>\$ 94,898,178</u>        |
| <b>Plan fiduciary net position:</b>                                    |                             |                             |                             |
| Contributions - employer   | \$ 2,566,875                | \$ 2,567,219                | \$ 2,759,844                |
| Contributions - employee   | 1,745,419                   | 1,803,064                   | 1,997,155                   |
| Net investment income  | 4,411,066                   | (3,287,188)                 | 6,935,215                   |
| Benefit payments, including refunds of employee contributions          | (4,036,009)                 | (4,048,358)                 | (4,270,006)                 |
| Administrative expense   | (81,005)                    | (76,538)                    | (94,175)                    |
| Net change in plan fiduciary net position                              | 4,606,346                   | (3,041,801)                 | 7,328,033                   |
| Plan fiduciary net position - beginning                                | 66,412,172                  | 71,018,518                  | 67,976,717                  |
| Plan fiduciary net position - ending (b)                               | <u>\$ 71,018,518</u>        | <u>\$ 67,976,717</u>        | <u>\$ 75,304,750</u>        |
| Net pension liability - ending (a) - (b)                               | <u>\$ 13,868,816</u>        | <u>\$ 21,965,968</u>        | <u>\$ 19,593,428</u>        |
| Plan fiduciary net position as a percentage of total pension liability | 83.66%                      | 75.58%                      | 79.35%                      |
| Covered employee payroll   | \$ 14,238,486               | \$ 14,310,032               | \$ 15,850,437               |
| Net pension liability as a percentage of covered employee payroll      | 97.40%                      | 153.50%                     | 123.61%                     |

<sup>1</sup>Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

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

**Exhibit XIV**

|                | (a)  | (b)   | (c)   | (d)                            | Contributions<br>as a Percentage<br>of Covered<br>Employee<br>Payroll<br>(b)/(d) |
|----------------|--|---|---|--------------------------------|--|
| Fiscal<br>Year | Actuarially<br>Determined<br>Contributions | Contributions<br>in Relation to<br>the Actuarially<br>Determined<br>Contributions | Contribution<br>Excess<br>(Deficiency)<br>(b) - (a) | Covered<br>Employee<br>Payroll |  |
| 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%   |
| 2017           | 14,648,606                                 | 14,648,606  | -   | 84,753,377                     | 17.28%   |

**Notes to Schedule:**

Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 13 months later. Contributions above do not include contributions into the supplemental death benefit fund.

**Methods and assumptions used to determine contribution rate for 2017:**

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry Age Normal  |
| Amortization Method           | Level Percentage of Payroll, Closed   |
| Remaining Amortization Period | 29 Years (Equivalent Single Amortization Period of 18.1 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.<br>Last updated for the 2015 valuation pursuant to an experience study of the<br>period 2010 - 2014.              |
| Mortality                     | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates<br>multiplied by 109% and female rates multiplied by 103% and projected on a fully<br>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**

|                | (a)                                 | (b)  | (c)   | (d)                            |  |
|----------------|-------------------------------------|--|---|--------------------------------|--|
|                |                                     | Contributions<br>in Relation to<br>the Annual<br>Required<br>Contributions | Contribution<br>Excess<br>(Deficiency)<br>(b) - (a) | Covered<br>Employee<br>Payroll | Contributions<br>as a Percentage<br>of Covered<br>Employee<br>Payroll<br>(b)/(d) |
| Fiscal<br>Year | Annual<br>Required<br>Contributions |  |   |                                |  |
| 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%   |
| 2017           | 2,814,029                           | 2,814,029  | -   | 16,113,770                     | 17.46%   |

**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, 13 months 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 2017:

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry Age   |
| Amortization Method           | Level Percentage of Payroll, Open   |
| Remaining Amortization Period | 31 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**

| <b>Fiscal Year</b> | <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Assets</b> | <b>Actuarial Accrued Liability (AAL)</b> | <b>Unfunded Actuarial Accrued Liability (UAAL)</b> | <b>Funded Percent</b> |
|--------------------|---------------------------------|----------------------------------|--|--|-----------------------|
| 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                     |

| <b>Fiscal Year</b> | <b>Covered Payroll</b> | <b>UAAL as Percent of Covered Payroll</b> | <b>Annual Required Contributions</b> | <b>Actual Contributions</b> | <b>Percent Contributed</b> |
|--------------------|------------------------|---|--------------------------------------|-----------------------------|----------------------------|
| 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               | 100,867,147            | 25.7                                      | 3,438,549                            | 630,522                     | 18                         |

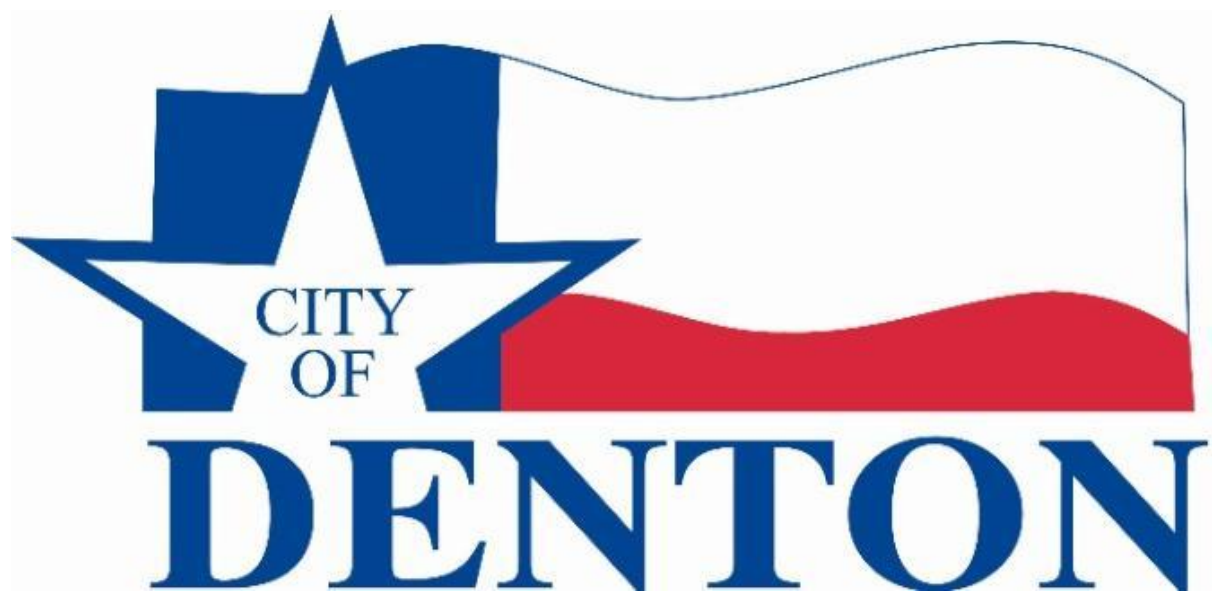


CITY OF DENTON, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XVII

|  | Budgeted Amounts |               | Actual        | Adjustments - | Actual on a   | Variance with  |
|--|------------------|---------------|---------------|---------------|---------------|----------------|
|  | Original         | Final         | Amounts       | Budgetary     | Budgetary     | Final Budget - |
|  |                  |               |               | Basis         | Basis         | Positive       |
|  |                  |               |               |               |               | (Negative)     |
| <b>REVENUES:</b>   |                  |               |               |               |               |                |
| Taxes  | \$ 19,748,519    | \$ 19,748,519 | \$ 20,132,397 | \$ -          | \$ 20,132,397 | \$ 383,878     |
| Investment revenue   | 50,000           | 50,000        | 189,707       | -             | 189,707       | 139,707        |
| Total revenues   | 19,798,519       | 19,798,519    | 20,322,104    | -             | 20,322,104    | 523,585        |
| <b>EXPENDITURES:</b>   |                  |               |               |               |               |                |
| Debt service:  |                  |               |               |               |               |                |
| Principal, interest and fiscal charges                       | 75,559,790       | 75,559,790    | 20,062,887    | 55,258,404    | 75,321,291    | 238,499        |
| Advance refunding escrow                                     | -                | -             | 103,950       | (103,950)     | -             | -              |
| Bond issuance costs  | -                | -             | 46,826        | (46,826)      | -             | -              |
| Total expenditures   | 75,559,790       | 75,559,790    | 20,213,663    | 55,107,628    | 75,321,291    | 238,499        |
| Excess (deficiency) of revenues<br>over (under) expenditures | (55,761,271)     | (55,761,271)  | 108,441       | (55,107,628)  | (54,999,187)  | 762,084        |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                  |               |               |               |               |                |
| Refunding bonds issued                                       | -                | -             | 10,850,000    | (10,850,000)  | -             | -              |
| Payment to refunded bond escrow agent                        | -                | -             | (11,358,665)  | 11,358,665    | -             | -              |
| Premium on debt issuance                                     | -                | -             | 557,965       | (557,965)     | -             | -              |
| Transfers in   | 55,761,271       | 55,761,271    | 358,371       | 55,258,404    | 55,616,775    | (144,496)      |
| Total other financing sources (uses)                         | 55,761,271       | 55,761,271    | 407,671       | 55,209,104    | 55,616,775    | (144,496)      |
| Net change in fund balance                                   | -                | -             | 516,112       | 101,476       | 617,588       | 617,588        |
| Fund balance at beginning of year                            | 4,893,032        | 4,893,032     | 4,893,032     | -             | 4,893,032     | -              |
| Fund balance at end of year                                  | \$ 4,893,032     | \$ 4,893,032  | \$ 5,409,144  | \$ 101,476    | \$ 5,510,620  | \$ 617,588     |

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, 2017

Exhibit XVIII

|  | Special Revenue Funds                   |                   |                     |                        |                              |
|--|---|-------------------|---------------------|------------------------|------------------------------|
|  | Community<br>Development<br>Block Grant | Recreation        | Criminal<br>Justice | Police<br>Confiscation | Tourist<br>and<br>Convention |
| <b>ASSETS</b>  |   |                   |                     |                        |                              |
| Cash, cash equivalents and investments,<br>at fair value                         | \$ -                                    | \$ 475,619        | \$ -                | \$ 537,612             | \$ 2,031,403                 |
| Receivables (net of allowances):   |   |                   |                     |                        |                              |
| Taxes  | -                                       | -                 | -                   | -                      | 214,671                      |
| Accrued interest   | -                                       | 2,092             | -                   | 2,369                  | 8,953                        |
| Other  | -                                       | 4,769             | -                   | -                      | -                            |
| Due from other governments   | 390,405                                 | -                 | 19,398              | -                      | -                            |
| Total assets   | <u>\$ 390,405</u>                       | <u>\$ 482,480</u> | <u>\$ 19,398</u>    | <u>\$ 539,981</u>      | <u>\$ 2,255,027</u>          |
| <b>LIABILITIES AND FUND BALANCES</b>   |   |                   |                     |                        |                              |
| <b>LIABILITIES:</b>  |   |                   |                     |                        |                              |
| Accounts payable   | 12,058                                  | 34,925            | -                   | 67,062                 | -                            |
| Interfund payables   | 372,324                                 | -                 | 19,398              | -                      | -                            |
| Retainage payable  | -                                       | -                 | -                   | -                      | -                            |
| Unearned revenues  | -                                       | -                 | -                   | -                      | -                            |
| Total liabilities  | <u>384,382</u>                          | <u>34,925</u>     | <u>19,398</u>       | <u>67,062</u>          | <u>-</u>                     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>  |   |                   |                     |                        |                              |
| Unavailable revenue - intergovernmental  | -                                       | 7,745             | 19,398              | -                      | -                            |
| Total deferred inflows of revenues   | <u>-</u>                                | <u>7,745</u>      | <u>19,398</u>       | <u>-</u>               | <u>-</u>                     |
| <b>FUND BALANCES (DEFICIT):</b>  |   |                   |                     |                        |                              |
| Restricted for:  |   |                   |                     |                        |                              |
| Parks and recreation   | -                                       | -                 | -                   | -                      | -                            |
| Other grants and purposes  | 6,023                                   | -                 | -                   | 472,919                | 2,255,027                    |
| Committed to:  |   |                   |                     |                        |                              |
| Streets  | -                                       | -                 | -                   | -                      | -                            |
| Parks and recreation   | -                                       | 439,810           | -                   | -                      | -                            |
| Other purposes   | -                                       | -                 | -                   | -                      | -                            |
| Assigned to:   |   |                   |                     |                        |                              |
| Other purposes   | -                                       | -                 | -                   | -                      | -                            |
| Unassigned   | -                                       | -                 | (19,398)            | -                      | -                            |
| Total fund balance (deficit)   | <u>6,023</u>                            | <u>439,810</u>    | <u>(19,398)</u>     | <u>472,919</u>         | <u>2,255,027</u>             |
| Total liabilities, deferred inflows of<br>resources, and fund balances (deficit) | <u>\$ 390,405</u>                       | <u>\$ 482,480</u> | <u>\$ 19,398</u>    | <u>\$ 539,981</u>      | <u>\$ 2,255,027</u>          |

(continued on the following page)

CITY OF DENTON, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (concluded)  
AS OF SEPTEMBER 30, 2017

Exhibit XVIII

|  | Special Revenue Funds |                      |                             |                     | Total                               |
|--|-----------------------|----------------------|-----------------------------|---------------------|-------------------------------------|
|  | Street<br>Improvement | Gas Well<br>Revenues | Citizens'<br>Park<br>Trusts | All<br>Other        | Nonmajor<br>Governmental<br>Funds   |
| <b>ASSETS</b>  |                       |                      |                             |                     |                                     |
| Cash, cash equivalents and investments,<br>at fair value                         | \$ 1,609,008          | \$ 88,261            | \$ 5,622,565                | \$ 5,774,550        | \$ 16,139,018                       |
| Receivables (net of allowances):   | -                     | -                    | -                           | -                   | 214,671                             |
| Taxes  | -                     | -                    | -                           | -                   | 71,123                              |
| Accrued interest   | 7,091                 | 389                  | 24,780                      | 25,449              | 279,703                             |
| Other  | -                     | 15,736               | -                           | 259,198             | 3,497,365                           |
| Due from other governments   | -                     | -                    | -                           | 3,087,562           | 20,201,880                          |
| Total assets   | <u>\$ 1,616,099</u>   | <u>\$ 104,386</u>    | <u>\$ 5,647,345</u>         | <u>\$ 9,146,759</u> | <u>\$ 20,201,880</u>                |
| <b>LIABILITIES AND FUND BALANCES</b>   |                       |                      |                             |                     |                                     |
| <b>LIABILITIES:</b>  |                       |                      |                             |                     |                                     |
| Accounts payable   | 427,446               | -                    | 69,085                      | 788,805             | 1,399,381                           |
| Interfund payables   | -                     | -                    | -                           | -                   | 391,722                             |
| Retainage payable  | 29,986                | -                    | 3,385                       | -                   | 33,371                              |
| Unearned revenues  | -                     | -                    | -                           | 22,880              | 22,880                              |
| Total liabilities  | <u>457,432</u>        | <u>-</u>             | <u>72,470</u>               | <u>811,685</u>      | <u>1,847,354</u>                    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>  |                       |                      |                             |                     |                                     |
| Unavailable revenue - intergovernmental  | -                     | -                    | -                           | 2,918,005           | 2,945,148                           |
| Total deferred inflows of revenues   | <u>-</u>              | <u>-</u>             | <u>-</u>                    | <u>2,918,005</u>    | <u>2,945,148</u>                    |
| <b>FUND BALANCES (DEFICIT):</b>  |                       |                      |                             |                     |                                     |
| Restricted for:  |                       |                      |                             |                     |                                     |
| Parks and recreation   | -                     | 104,371              | 5,574,875                   | 80,829              | 5,760,075                           |
| Other grants and purposes  | -                     | -                    | -                           | 1,370,067           | 4,104,036                           |
| Committed to:  |                       |                      |                             |                     |                                     |
| Streets  | 1,158,667             | -                    | -                           | -                   | 1,158,667                           |
| Parks and recreation   | -                     | 15                   | -                           | -                   | 439,825                             |
| Other purposes   | -                     | -                    | -                           | 6,889,093           | 6,889,093                           |
| Assigned to:   |                       |                      |                             |                     |                                     |
| Other purposes   | -                     | -                    | -                           | 59                  | 59                                  |
| Unassigned   | -                     | -                    | -                           | (2,922,979)         | (2,942,377)                         |
| Total fund balance (deficit)   | <u>1,158,667</u>      | <u>104,386</u>       | <u>5,574,875</u>            | <u>5,417,069</u>    | <u>15,409,378</u>                   |
| Total liabilities, deferred inflows of<br>resources, and fund balances (deficit) | <u>\$ 1,616,099</u>   | <u>\$ 104,386</u>    | <u>\$ 5,647,345</u>         | <u>\$ 9,146,759</u> | <u>\$ 20,201,880</u><br>(concluded) |

**CITY OF DENTON, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit XIX**

|   | <b>Special Revenue Funds</b>                     |                   |                             |                                |                                       |
|---|--|-------------------|-----------------------------|--------------------------------|---------------------------------------|
|   | <b>Community<br/>Development<br/>Block Grant</b> | <b>Recreation</b> | <b>Criminal<br/>Justice</b> | <b>Police<br/>Confiscation</b> | <b>Tourist<br/>and<br/>Convention</b> |
| <b>REVENUES:</b>  |  |                   |                             |                                |                                       |
| Tax revenue   | \$ -   | \$ -              | \$ -                        | \$ -                           | \$ 2,374,221                          |
| Franchise fees  | -  | -                 | -                           | -                              | -                                     |
| Fines and forfeitures                                     | -  | -                 | -                           | 96,739                         | -                                     |
| Fees for services   | -  | 1,941,893         | -                           | -                              | -                                     |
| Investment revenue  | -  | 5,602             | -                           | 5,464                          | 18,625                                |
| Intergovernmental   | 1,196,691  | -                 | 23,048                      | -                              | -                                     |
| Miscellaneous   | 154,561  | 3,353             | -                           | 5,450                          | 551                                   |
| Total revenues  | <u>1,351,252</u>                                 | <u>1,950,848</u>  | <u>23,048</u>               | <u>107,653</u>                 | <u>2,393,397</u>                      |
| <b>EXPENDITURES:</b>                                      |  |                   |                             |                                |                                       |
| General government  | 1,037,703  | -                 | -                           | -                              | 2,194,207                             |
| Public safety   | -  | -                 | 19,398                      | 68,947                         | -                                     |
| Public works  | -  | -                 | -                           | -                              | -                                     |
| Parks and recreation                                      | -  | 1,860,988         | -                           | -                              | -                                     |
| Capital outlay  | -  | 23,185            | -                           | 56,405                         | 52,361                                |
| Debt service:   |  |                   |                             |                                |                                       |
| Principal retirement                                      | -  | -                 | -                           | -                              | -                                     |
| Interest and other charges                                | -  | -                 | -                           | -                              | -                                     |
| Total expenditures  | <u>1,037,703</u>                                 | <u>1,884,173</u>  | <u>19,398</u>               | <u>125,352</u>                 | <u>2,246,568</u>                      |
| Excess (deficiency) of revenues over (under) expenditures | <u>313,549</u>                                   | <u>66,675</u>     | <u>3,650</u>                | <u>(17,699)</u>                | <u>146,829</u>                        |
| <b>OTHER FINANCING SOURCES (USES):</b>                    |  |                   |                             |                                |                                       |
| Transfers in  | -  | -                 | -                           | 5,380                          | 150,000                               |
| Transfers out   | (88,236)   | (125,000)         | -                           | -                              | -                                     |
| Total other financing sources (uses)                      | <u>(88,236)</u>                                  | <u>(125,000)</u>  | <u>-</u>                    | <u>5,380</u>                   | <u>150,000</u>                        |
| Net change in fund balances                               | 225,313  | (58,325)          | 3,650                       | (12,319)                       | 296,829                               |
| Fund balance (deficit) at beginning of year               | (219,290)  | 498,135           | (23,048)                    | 485,238                        | 1,958,198                             |
| Fund balance (deficit) at end of year                     | <u>\$ 6,023</u>                                  | <u>\$ 439,810</u> | <u>\$ (19,398)</u>          | <u>\$ 472,919</u>              | <u>\$ 2,255,027</u>                   |

(continued on the following page)



**CITY OF DENTON, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (concluded)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit XIX**

|   | Special Revenue Funds |                      |                             |                     | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------|----------------------|-----------------------------|---------------------|--|
|   | Street<br>Improvement | Gas Well<br>Revenues | Citizens'<br>Park<br>Trusts | All<br>Other        |  |
| <b>REVENUES:</b>  |                       |                      |                             |                     |  |
| Tax revenue   | \$ -                  | \$ -                 | \$ -                        | \$ 617,244          | \$ 2,991,465                               |
| Franchise fees  | 11,097,871            | -                    | -                           | -                   | 11,097,871                                 |
| Fines and forfeitures                                     | -                     | -                    | -                           | 2,296,175           | 2,392,914                                  |
| Fees for services   | 240,099               | 97,726               | 468,386                     | 229,288             | 2,977,392                                  |
| Investment revenue  | 14,294                | 1,072                | 46,275                      | 35,610              | 126,942                                    |
| Intergovernmental   | 200,794               | -                    | -                           | 1,054,078           | 2,474,611                                  |
| Miscellaneous   | 58,926                | -                    | -                           | 1,178,132           | 1,400,973                                  |
| Total revenues  | <u>11,611,984</u>     | <u>98,798</u>        | <u>514,661</u>              | <u>5,410,527</u>    | <u>23,462,168</u>                          |
| <b>EXPENDITURES:</b>                                      |                       |                      |                             |                     |  |
| General government  | -                     | -                    | -                           | 510,452             | 3,742,362                                  |
| Public safety   | -                     | -                    | -                           | 3,033,482           | 3,121,827                                  |
| Public works  | 12,467,894            | -                    | -                           | -                   | 12,467,894                                 |
| Parks and recreation                                      | -                     | -                    | 20,113                      | 297,370             | 2,178,471                                  |
| Capital outlay  | 66,329                | -                    | 381,776                     | 277,071             | 857,127                                    |
| Debt service:   |                       |                      |                             |                     |  |
| Principal retirement                                      | 56,317                | -                    | -                           | -                   | 56,317                                     |
| Interest and other charges                                | 2,180                 | -                    | -                           | -                   | 2,180                                      |
| Total expenditures  | <u>12,592,720</u>     | <u>-</u>             | <u>401,889</u>              | <u>4,118,375</u>    | <u>22,426,178</u>                          |
| Excess (deficiency) of revenues over (under) expenditures | <u>(980,736)</u>      | <u>98,798</u>        | <u>112,772</u>              | <u>1,292,152</u>    | <u>1,035,990</u>                           |
| <b>OTHER FINANCING SOURCES (USES):</b>                    |                       |                      |                             |                     |  |
| Transfers in  | 964,276               | -                    | -                           | 199,369             | 1,319,025                                  |
| Transfers out   | (623,497)             | (100,000)            | -                           | (2,552,966)         | (3,489,699)                                |
| Total other financing sources (uses)                      | <u>340,779</u>        | <u>(100,000)</u>     | <u>-</u>                    | <u>(2,353,597)</u>  | <u>(2,170,674)</u>                         |
| Net change in fund balances                               | (639,957)             | (1,202)              | 112,772                     | (1,061,445)         | (1,134,684)                                |
| Fund balance (deficit) at beginning of year               | 1,798,624             | 105,588              | 5,462,103                   | 6,478,514           | 16,544,062                                 |
| Fund balance (deficit) at end of year                     | <u>\$ 1,158,667</u>   | <u>\$ 104,386</u>    | <u>\$ 5,574,875</u>         | <u>\$ 5,417,069</u> | <u>\$ 15,409,378</u>                       |
|   |                       |                      |                             |                     | (concluded)                                |

**CITY OF DENTON, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**SPECIAL REVENUE FUNDS: RECREATION FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit XX**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual</b>     | <b>Adjustments -</b> | <b>Actual on a</b> | <b>Variance with</b>  |
|--|-------------------------|-------------------|-------------------|----------------------|--------------------|-----------------------|
|  | <b>Original</b>         | <b>Final</b>      | <b>Amounts</b>    | <b>Budgetary</b>     | <b>Budgetary</b>   | <b>Final Budget -</b> |
|  |                         |                   |                   | <b>Basis</b>         | <b>Basis</b>       | <b>Positive</b>       |
|  |                         |                   |                   |                      |                    | <b>(Negative)</b>     |
| <b>REVENUES:</b>                         |                         |                   |                   |                      |                    |                       |
| Fees for services                        | \$ 2,134,743            | \$ 2,134,743      | \$ 1,941,893      | \$ -                 | \$ 1,941,893       | \$ (192,850)          |
| Investment revenue                       | 17,000                  | 17,000            | 5,602             | -                    | 5,602              | (11,398)              |
| Miscellaneous                            | -                       | -                 | 3,353             | -                    | 3,353              | 3,353                 |
| Total revenues                           | <u>2,151,743</u>        | <u>2,151,743</u>  | <u>1,950,848</u>  | <u>-</u>             | <u>1,950,848</u>   | <u>(200,895)</u>      |
| <b>EXPENDITURES:</b>                     |                         |                   |                   |                      |                    |                       |
| Parks and recreation                     | 1,978,716               | 1,978,716         | 1,860,988         | (163,507)            | 1,697,481          | 281,235               |
| Capital outlay                           | -                       | -                 | 23,185            | -                    | 23,185             | (23,185)              |
| Total expenditures                       | <u>1,978,716</u>        | <u>1,978,716</u>  | <u>1,884,173</u>  | <u>(163,507)</u>     | <u>1,720,666</u>   | <u>258,050</u>        |
| <b>Excess (deficiency) of revenues</b>   |                         |                   |                   |                      |                    |                       |
| <b>over (under) expenditures</b>         | <u>173,027</u>          | <u>173,027</u>    | <u>66,675</u>     | <u>163,507</u>       | <u>230,182</u>     | <u>57,155</u>         |
| <b>OTHER FINANCING USES:</b>             |                         |                   |                   |                      |                    |                       |
| Transfers out                            | (265,209)               | (265,209)         | (125,000)         | (163,507)            | (288,507)          | (23,298)              |
| Total other financing uses               | <u>(265,209)</u>        | <u>(265,209)</u>  | <u>(125,000)</u>  | <u>(163,507)</u>     | <u>(288,507)</u>   | <u>(23,298)</u>       |
| <b>Net change in fund balance</b>        | <u>(92,182)</u>         | <u>(92,182)</u>   | <u>(58,325)</u>   | <u>-</u>             | <u>(58,325)</u>    | <u>33,857</u>         |
| <b>Fund balance at beginning of year</b> | <u>498,135</u>          | <u>498,135</u>    | <u>498,135</u>    | <u>-</u>             | <u>498,135</u>     | <u>-</u>              |
| <b>Fund balance at end of year</b>       | <u>\$ 405,953</u>       | <u>\$ 405,953</u> | <u>\$ 439,810</u> | <u>\$ -</u>          | <u>\$ 439,810</u>  | <u>\$ 33,857</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 THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXI

|                                   | Budgeted Amounts |            | Actual     | Adjustments - | Actual on a | Variance with  |
|-----------------------------------|------------------|------------|------------|---------------|-------------|----------------|
|                                   | Original         | Final      | Amounts    | Budgetary     | Budgetary   | Final Budget - |
|                                   |                  |            |            | Basis         | Basis       | Positive       |
|                                   |                  |            |            |               |             | (Negative)     |
| <b>REVENUES:</b>                  |                  |            |            |               |             |                |
| Fines and forfeitures             | \$ 205,000       | \$ 205,000 | \$ 96,739  | \$ -          | \$ 96,739   | \$ (108,261)   |
| Investment revenue                | -                | -          | 5,464      | -             | 5,464       | 5,464          |
| Miscellaneous                     | 50,000           | 50,000     | 5,450      | -             | 5,450       | (44,550)       |
| Total revenues                    | 255,000          | 255,000    | 107,653    | -             | 107,653     | (147,347)      |
| <b>EXPENDITURES:</b>              |                  |            |            |               |             |                |
| Public safety                     | 255,000          | 255,000    | 68,947     | -             | 68,947      | 186,053        |
| Capital outlay                    | 187,000          | 187,000    | 56,405     | -             | 56,405      | 130,595        |
| Total expenditures                | 442,000          | 442,000    | 125,352    | -             | 125,352     | 316,648        |
| <b>OTHER FINANCING</b>            |                  |            |            |               |             |                |
| <b>SOURCES:</b>                   |                  |            |            |               |             |                |
| Transfers in                      | -                | -          | 5,380      | -             | 5,380       | 5,380          |
| Total other financing sources     | -                | -          | 5,380      | -             | 5,380       | 5,380          |
| Net change in fund balance        | (187,000)        | (187,000)  | (12,319)   | -             | (12,319)    | 174,681        |
| Fund balance at beginning of year | 485,238          | 485,238    | 485,238    | -             | 485,238     | -              |
| Fund balance at end of year       | \$ 298,238       | \$ 298,238 | \$ 472,919 | \$ -          | \$ 472,919  | \$ 174,681     |

**CITY OF DENTON, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET TO ACTUAL**  
**SPECIAL REVENUE FUNDS: TOURIST AND CONVENTION FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit XXII**

|   | <b>Budgeted Amounts</b> |              | <b>Actual</b>  | <b>Adjustments -</b> | <b>Actual on a</b> | <b>Variance with</b>  |
|---|-------------------------|--------------|----------------|----------------------|--------------------|-----------------------|
|   | <b>Original</b>         | <b>Final</b> | <b>Amounts</b> | <b>Budgetary</b>     | <b>Budgetary</b>   | <b>Final Budget -</b> |
|   |                         |              |                | <b>Basis</b>         | <b>Basis</b>       | <b>Positive</b>       |
|   |                         |              |                |                      |                    | <b>(Negative)</b>     |
| <b>REVENUES:</b>  |                         |              |                |                      |                    |                       |
| Taxes   | \$ 2,145,064            | \$ 2,145,064 | \$ 2,374,221   | \$ -                 | \$ 2,374,221       | \$ 229,157            |
| Investment revenue  | -                       | -            | 18,625         | -                    | 18,625             | 18,625                |
| Miscellaneous   | -                       | -            | 551            | -                    | 551                | 551                   |
| Total revenues  | 2,145,064               | 2,145,064    | 2,393,397      | -                    | 2,393,397          | 248,333               |
| <b>EXPENDITURES:</b>                                      |                         |              |                |                      |                    |                       |
| General government  | 2,167,494               | 2,271,853    | 2,194,207      | -                    | 2,194,207          | 77,646                |
| Capital outlay  | -                       | 52,361       | 52,361         | -                    | 52,361             | -                     |
| Total expenditures  | 2,167,494               | 2,324,214    | 2,246,568      | -                    | 2,246,568          | 77,646                |
| Excess (deficit) of revenues<br>over (under) expenditures | (22,430)                | (179,150)    | 146,829        | -                    | 146,829            | 325,979               |
| <b>OTHER FINANCING</b>                                    |                         |              |                |                      |                    |                       |
| <b>SOURCES:</b>   |                         |              |                |                      |                    |                       |
| Transfers in  | -                       | -            | 150,000        | -                    | 150,000            | 150,000               |
| Total other financing sources                             | -                       | -            | 150,000        | -                    | 150,000            | 150,000               |
| Net change in fund balance                                | (22,430)                | (179,150)    | 296,829        | -                    | 296,829            | 475,979               |
| Fund balance at beginning of year                         | 1,958,198               | 1,958,198    | 1,958,198      | -                    | 1,958,198          | -                     |
| Fund balance at end of year                               | \$ 1,935,768            | \$ 1,779,048 | \$ 2,255,027   | \$ -                 | \$ 2,255,027       | \$ 475,979            |

CITY OF DENTON, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
SPECIAL REVENUE FUNDS: STREET IMPROVEMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXIII

|   | Budgeted Amounts |               | Actual        | Adjustments - | Actual on a   | Variance with  |
|---|------------------|---------------|---------------|---------------|---------------|----------------|
|   | Original         | Final         | Amounts       | Budgetary     | Budgetary     | Final Budget - |
|   |                  |               |               | Basis         | Basis         | Positive       |
|   |                  |               |               |               |               | (Negative)     |
| <b>REVENUES:</b>  |                  |               |               |               |               |                |
| Franchise fees  | \$ 11,608,420    | \$ 11,608,420 | \$ 11,097,871 | \$ -          | \$ 11,097,871 | \$ (510,549)   |
| Fees for services   | 350,000          | 350,000       | 240,099       | -             | 240,099       | (109,901)      |
| Investment revenue  | 10,000           | 10,000        | 14,294        | -             | 14,294        | 4,294          |
| Intergovernmental   | -                | -             | 200,794       | -             | 200,794       | 200,794        |
| Miscellaneous   | -                | -             | 58,926        | -             | 58,926        | 58,926         |
| Total revenues  | 11,968,420       | 11,968,420    | 11,611,984    | -             | 11,611,984    | (356,436)      |
| <b>EXPENDITURES:</b>                                      |                  |               |               |               |               |                |
| Public Works  | 12,678,089       | 12,297,295    | 12,467,894    | (103,679)     | 12,364,215    | (66,920)       |
| Capital outlay  | -                | -             | 66,329        | -             | 66,329        | (66,329)       |
| Debt service:   |                  |               |               |               |               |                |
| Principal retirement                                      | 59,165           | 59,165        | 56,317        | -             | 56,317        | 2,848          |
| Interest and other charges                                | -                | -             | 2,180         | -             | 2,180         | (2,180)        |
| Total expenditures  | 12,737,254       | 12,356,460    | 12,592,720    | (103,679)     | 12,489,041    | (132,581)      |
| Excess (deficit) of revenues<br>over (under) expenditures | (768,834)        | (388,040)     | (980,736)     | 103,679       | (877,057)     | (489,017)      |
| <b>OTHER FINANCING<br/>SOURCES (USES):</b>                |                  |               |               |               |               |                |
| Transfers in  | 997,363          | 997,363       | 964,276       | -             | 964,276       | (33,087)       |
| Transfers out   | (583,529)        | (964,323)     | (623,497)     | (103,679)     | (727,176)     | 237,147        |
| Total other financing sources (uses)                      | 413,834          | 33,040        | 340,779       | (103,679)     | 237,100       | 204,060        |
| Net change in fund balance                                | (355,000)        | (355,000)     | (639,957)     | -             | (639,957)     | (284,957)      |
| Fund balance at beginning of year                         | 1,798,624        | 1,798,624     | 1,798,624     | -             | 1,798,624     | -              |
| Fund balance at end of year                               | \$ 1,443,624     | \$ 1,443,624  | \$ 1,158,667  | \$ -          | \$ 1,158,667  | \$ (284,957)   |

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 THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit XXIV**

|                                   | <b>Budgeted Amounts</b> |              | <b>Actual</b>  | <b>Adjustments -</b> | <b>Actual on a</b> | <b>Variance with</b>  |
|-----------------------------------|-------------------------|--------------|----------------|----------------------|--------------------|-----------------------|
|                                   | <b>Original</b>         | <b>Final</b> | <b>Amounts</b> | <b>Budgetary</b>     | <b>Budgetary</b>   | <b>Final Budget -</b> |
|                                   |                         |              |                | <b>Basis</b>         | <b>Basis</b>       | <b>Positive</b>       |
|                                   |                         |              |                |                      |                    | <b>(Negative)</b>     |
| <b>REVENUES:</b>                  |                         |              |                |                      |                    |                       |
| Fees for service                  | \$ 64,000               | \$ 64,000    | \$ 97,726      | \$ -                 | \$ 97,726          | \$ 33,726             |
| Investment revenue                | 100                     | 100          | 1,072          | -                    | 1,072              | 972                   |
| Total revenues                    | 64,100                  | 64,100       | 98,798         | -                    | 98,798             | 34,698                |
| <b>OTHER FINANCING</b>            |                         |              |                |                      |                    |                       |
| <b>USES:</b>                      |                         |              |                |                      |                    |                       |
| Transfers out                     | (100,000)               | (100,000)    | (100,000)      | -                    | (100,000)          | -                     |
| Total other financing uses        | (100,000)               | (100,000)    | (100,000)      | -                    | (100,000)          | -                     |
| Net change in fund balance        | (35,900)                | (35,900)     | (1,202)        | -                    | (1,202)            | 34,698                |
| Fund balance at beginning of year | 105,588                 | 105,588      | 105,588        | -                    | 105,588            | -                     |
| Fund balance at end of year       | \$ 69,688               | \$ 69,688    | \$ 104,386     | \$ -                 | \$ 104,386         | \$ 34,698             |

CITY OF DENTON, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
SPECIAL REVENUE FUNDS: CITIZENS' PARK TRUSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXV

|   | Budgeted Amounts |              | Actual       | Adjustments - | Actual on a  | Variance with  |
|---|------------------|--------------|--------------|---------------|--------------|----------------|
|   | Original         | Final        | Amounts      | Budgetary     | Budgetary    | Final Budget - |
|   |                  |              |              | Basis         | Basis        | Positive       |
|   |                  |              |              |               |              | (Negative)     |
| <b>REVENUES:</b>                        |                  |              |              |               |              |                |
| Fees for service                        | \$ 300,000       | \$ 300,000   | \$ 468,386   | \$ -          | \$ 468,386   | \$ 168,386     |
| Investment revenue                      | 30,000           | 30,000       | 46,275       | -             | 46,275       | 16,275         |
| Total revenues                          | 330,000          | 330,000      | 514,661      | -             | 514,661      | 184,661        |
| <b>EXPENDITURES:</b>                    |                  |              |              |               |              |                |
| Parks and recreation                    | -                | -            | 20,113       | -             | 20,113       | (20,113)       |
| Capital outlay                          | 1,300,000        | 1,300,000    | 381,776      | -             | 381,776      | 918,224        |
| Total expenditures                      | 1,300,000        | 1,300,000    | 401,889      | -             | 401,889      | 898,111        |
| Excess of revenues<br>over expenditures | (970,000)        | (970,000)    | 112,772      | -             | 112,772      | 1,082,772      |
| Net change in fund balance              | (970,000)        | (970,000)    | 112,772      | -             | 112,772      | 1,082,772      |
| Fund balance at beginning of year       | 5,462,103        | 5,462,103    | 5,462,103    | -             | 5,462,103    | -              |
| Fund balance at end of year             | \$ 4,492,103     | \$ 4,492,103 | \$ 5,574,875 | \$ -          | \$ 5,574,875 | \$ 1,082,772   |





## 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, 2017

Exhibit XXVI

|  | Materials<br>Management<br>Fund | Fleet<br>Services<br>Fund | Health<br>Insurance<br>Fund | Risk<br>Retention<br>Fund |
|--|---------------------------------|---------------------------|-----------------------------|---------------------------|
| <b>ASSETS:</b>   |                                 |                           |                             |                           |
| Current assets:  |                                 |                           |                             |                           |
| Cash, cash equivalents and investments,<br>at fair value | \$ 13,843                       | \$ 1,477,292              | \$ 6,453,239                | \$ 3,789,620              |
| Receivables, net of allowances:                          |                                 |                           |                             |                           |
| Accrued interest   | -                               | 6,511                     | 28,441                      | 16,702                    |
| Other  | -                               | 91,555                    | -                           | 212,090                   |
| Merchandise inventory                                    | 7,430,766                       | 112,418                   | -                           | -                         |
| Prepaid items  | 10,934                          | -                         | -                           | -                         |
| Total current assets                                     | <u>7,455,543</u>                | <u>1,687,776</u>          | <u>6,481,680</u>            | <u>4,018,412</u>          |
| Noncurrent assets:                                       |                                 |                           |                             |                           |
| Restricted assets:                                       |                                 |                           |                             |                           |
| Cash, cash equivalents and investments,<br>at fair value | -                               | 199,676                   | -                           | -                         |
| Accrued interest   | -                               | 880                       | -                           | -                         |
| Escrow deposit   | -                               | -                         | 189,000                     | -                         |
| Capital assets, net of accumulated depreciation          | 756,578                         | 4,323,819                 | -                           | -                         |
| Total noncurrent assets                                  | <u>756,578</u>                  | <u>4,524,375</u>          | <u>189,000</u>              | <u>-</u>                  |
| Total assets   | <u>8,212,121</u>                | <u>6,212,151</u>          | <u>6,670,680</u>            | <u>4,018,412</u>          |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                   |                                 |                           |                             |                           |
| Deferred charges on refunding                            | 20,030                          | 11,574                    | -                           | -                         |
| Deferred pension balances                                | 170,979                         | 214,625                   | -                           | 109,220                   |
| Deferred pension contributions                           | 128,458                         | 148,020                   | -                           | 84,644                    |
| Total deferred outflows of resources                     | <u>319,467</u>                  | <u>374,219</u>            | <u>-</u>                    | <u>193,864</u>            |
| <b>LIABILITIES:</b>                                      |                                 |                           |                             |                           |
| Current liabilities:                                     |                                 |                           |                             |                           |
| Accounts payable   | 763,835                         | 625,160                   | -                           | 96,739                    |
| Claims payable   | -                               | -                         | 1,827,339                   | 409,800                   |
| Compensated absences payable                             | 56,709                          | 88,470                    | -                           | 42,506                    |
| Leases payable   | -                               | -                         | -                           | -                         |
| Accrued interest   | 1,316                           | 4,081                     | -                           | -                         |
| Interfund payables                                       | 5,100,000                       | -                         | -                           | -                         |
| Certificate and general obligation bonds                 | 42,402                          | 247,078                   | -                           | -                         |
| Total current liabilities                                | <u>5,964,262</u>                | <u>964,789</u>            | <u>1,827,339</u>            | <u>549,045</u>            |
| Noncurrent liabilities:                                  |                                 |                           |                             |                           |
| Payable from restricted assets:                          |                                 |                           |                             |                           |
| General obligation bonds payable                         | 230,530                         | 267,426                   | -                           | -                         |
| Certificates of obligation                               | -                               | 159,243                   | -                           | -                         |
| Compensated absences payable                             | 1,438                           | 29,204                    | -                           | 18,237                    |
| Claims payable   | -                               | -                         | -                           | 2,096,874                 |
| Net pension liability                                    | 966,275                         | 1,194,998                 | -                           | 618,712                   |
| Other post employment benefits                           | 119,753                         | 169,424                   | -                           | 56,995                    |
| Total noncurrent liabilities:                            | <u>1,317,996</u>                | <u>1,820,295</u>          | <u>-</u>                    | <u>2,790,818</u>          |
| Total liabilities  | <u>7,282,258</u>                | <u>2,785,084</u>          | <u>1,827,339</u>            | <u>3,339,863</u>          |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                    |                                 |                           |                             |                           |
| Deferred pension balances                                | 14,299                          | 17,963                    | -                           | 9,118                     |
| Total deferred inflows of resources                      | <u>14,299</u>                   | <u>17,963</u>             | <u>-</u>                    | <u>9,118</u>              |
| <b>NET POSITION:</b>                                     |                                 |                           |                             |                           |
| Net investment in capital assets                         | 503,676                         | 3,862,202                 | -                           | -                         |
| Unrestricted   | 731,355                         | (78,879)                  | 4,843,341                   | 863,295                   |
| Total net position                                       | <u>\$ 1,235,031</u>             | <u>\$ 3,783,323</u>       | <u>\$ 4,843,341</u>         | <u>\$ 863,295</u>         |

(continued on the following page)

CITY OF DENTON, TEXAS  
COMBINING STATEMENT OF NET POSITION (concluded)  
INTERNAL SERVICE FUNDS  
AS OF SEPTEMBER 30, 2017

Exhibit XXVI

|  | Technology<br>Services<br>Fund | Engineering<br>Services<br>Fund | Total<br>Internal<br>Service<br>Funds |
|--|--------------------------------|---------------------------------|---------------------------------------|
| <b>ASSETS:</b>   |                                |                                 |                                       |
| Current assets:  |                                |                                 |                                       |
| Cash, cash equivalents and investments,<br>at fair value | \$ 4,868,674                   | \$ 1,160,093                    | \$ 17,762,761                         |
| Receivables, net of allowances:                          |                                |                                 |                                       |
| Accrued interest   | 21,457                         | 5,113                           | 78,224                                |
| Other  | -                              | -                               | 303,645                               |
| Merchandise inventory                                    | -                              | -                               | 7,543,184                             |
| Prepaid items  | 186,248                        | -                               | 197,182                               |
| Total current assets                                     | <u>5,076,379</u>               | <u>1,165,206</u>                | <u>25,884,996</u>                     |
| Noncurrent assets:                                       |                                |                                 |                                       |
| Restricted assets:                                       |                                |                                 |                                       |
| Cash, cash equivalents and investments,<br>at fair value | -                              | -                               | 199,676                               |
| Accrued interest   | -                              | -                               | 880                                   |
| Escrow deposit   | -                              | -                               | 189,000                               |
| Capital assets, net of accumulated depreciation          | 2,519,879                      | 56,231                          | 7,656,507                             |
| Total noncurrent assets                                  | <u>2,519,879</u>               | <u>56,231</u>                   | <u>8,046,063</u>                      |
| Total assets   | <u>7,596,258</u>               | <u>1,221,437</u>                | <u>33,931,059</u>                     |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                   |                                |                                 |                                       |
| Deferred charges on refunding                            | 177                            | -                               | 31,781                                |
| Deferred pension balances                                | 521,274                        | 401,665                         | 1,417,763                             |
| Deferred pension contributions                           | 406,004                        | 304,516                         | 1,071,642                             |
| Total deferred outflows of resources                     | <u>927,455</u>                 | <u>706,181</u>                  | <u>2,521,186</u>                      |
| <b>LIABILITIES:</b>                                      |                                |                                 |                                       |
| Current liabilities:                                     |                                |                                 |                                       |
| Accounts payable   | 548,606                        | 291,459                         | 2,325,799                             |
| Claims payable   | -                              | -                               | 2,237,139                             |
| Compensated absences payable                             | 247,907                        | 190,354                         | 625,946                               |
| Leases payable   | 443,839                        | -                               | 443,839                               |
| Accrued interest   | 75                             | -                               | 5,472                                 |
| Interfund payables                                       | -                              | -                               | 5,100,000                             |
| Certificate and general obligation bonds                 | 10,201                         | -                               | 299,681                               |
| Total current liabilities                                | <u>1,250,628</u>               | <u>481,813</u>                  | <u>11,037,876</u>                     |
| Noncurrent liabilities:                                  |                                |                                 |                                       |
| Payable from restricted assets:                          |                                |                                 |                                       |
| General obligation bonds payable                         | 10,101                         | -                               | 508,057                               |
| Certificates of obligation                               | -                              | -                               | 159,243                               |
| Compensated absences payable                             | 21,151                         | 13,881                          | 83,911                                |
| Claims payable   | -                              | -                               | 2,096,874                             |
| Net pension liability                                    | 2,966,968                      | 2,266,997                       | 8,013,950                             |
| Other post employment benefits                           | 250,565                        | 233,646                         | 830,383                               |
| Total noncurrent liabilities:                            | <u>3,248,785</u>               | <u>2,514,524</u>                | <u>11,692,418</u>                     |
| Total liabilities  | <u>4,499,413</u>               | <u>2,996,337</u>                | <u>22,730,294</u>                     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                    |                                |                                 |                                       |
| Deferred pension balances                                | 43,597                         | 33,542                          | 118,519                               |
| Total deferred inflows of resources                      | <u>43,597</u>                  | <u>33,542</u>                   | <u>118,519</u>                        |
| <b>NET POSITION:</b>                                     |                                |                                 |                                       |
| Net investment in capital assets                         | 2,055,915                      | 56,231                          | 6,478,024                             |
| Unrestricted   | 1,924,788                      | (1,158,492)                     | 7,125,408                             |
| Total net position                                       | <u>\$ 3,980,703</u>            | <u>\$ (1,102,261)</u>           | <u>\$ 13,603,432</u><br>(concluded)   |

**CITY OF DENTON, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit XXVII**

|   | <b>Materials<br/>Management<br/>Fund</b> | <b>Fleet<br/>Services<br/>Fund</b> | <b>Health<br/>Insurance<br/>Fund</b> | <b>Risk<br/>Retention<br/>Fund</b> |
|---|--|------------------------------------|--------------------------------------|------------------------------------|
| <b>OPERATING REVENUES:</b>                              |  |                                    |                                      |                                    |
| Charges for goods and services                          | \$ 13,544,111                            | \$ 9,949,616                       | \$ 24,385,401                        | \$ 859,728                         |
| Miscellaneous   | 155,731                                  | 12,561                             | 714,895                              | 128,261                            |
| <b>Total operating revenues</b>                         | <b>13,699,842</b>                        | <b>9,962,177</b>                   | <b>25,100,296</b>                    | <b>987,989</b>                     |
| <b>OPERATING EXPENSES:</b>                              |  |                                    |                                      |                                    |
| Operating expenses before depreciation                  | 13,510,365                               | 9,190,878                          | 26,338,762                           | 3,924,087                          |
| Depreciation  | 16,764                                   | 192,117                            | -                                    | -                                  |
| <b>Total operating expenses</b>                         | <b>13,527,129</b>                        | <b>9,382,995</b>                   | <b>26,338,762</b>                    | <b>3,924,087</b>                   |
| <b>Operating income (loss)</b>                          | <b>172,713</b>                           | <b>579,182</b>                     | <b>(1,238,466)</b>                   | <b>(2,936,098)</b>                 |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                |  |                                    |                                      |                                    |
| Investment revenue                                      | 344                                      | 6,979                              | 54,270                               | 52,816                             |
| Interest expense and fiscal charges                     | (13,191)                                 | (19,704)                           | -                                    | -                                  |
| Gain (loss) on disposal of capital assets               | -  | 9,370                              | -                                    | -                                  |
| <b>Total non-operating revenues (expenses)</b>          | <b>(12,847)</b>                          | <b>(3,355)</b>                     | <b>54,270</b>                        | <b>52,816</b>                      |
| <b>Income (loss) before contributions and transfers</b> | <b>159,866</b>                           | <b>575,827</b>                     | <b>(1,184,196)</b>                   | <b>(2,883,282)</b>                 |
| Capital contributions                                   | 24,560                                   | 48,508                             | -                                    | -                                  |
| Transfers in  | -  | -                                  | -                                    | -                                  |
| <b>Change in net position</b>                           | <b>184,426</b>                           | <b>624,335</b>                     | <b>(1,184,196)</b>                   | <b>(2,883,282)</b>                 |
| <b>Net position at beginning of year</b>                | <b>1,050,605</b>                         | <b>3,158,988</b>                   | <b>6,027,537</b>                     | <b>3,746,577</b>                   |
| <b>Total net position at end of year</b>                | <b>\$ 1,235,031</b>                      | <b>\$ 3,783,323</b>                | <b>\$ 4,843,341</b>                  | <b>\$ 863,295</b>                  |

(continued on the following page)

**CITY OF DENTON, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION (concluded)**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit XXVII**

|   | <b>Technology<br/>Services<br/>Fund</b> | <b>Engineering<br/>Services<br/>Fund</b> | <b>Total<br/>Internal<br/>Service<br/>Funds</b> |
|---|---|--|---|
| <b>OPERATING REVENUES:</b>                              |   |  |   |
| Charges for goods and services                          | \$ 12,466,719                           | \$ 3,921,281                             | \$ 65,126,856                                   |
| Miscellaneous   | 47,371                                  | -  | 1,058,819                                       |
| <b>Total operating revenues</b>                         | <b>12,514,090</b>                       | <b>3,921,281</b>                         | <b>66,185,675</b>                               |
| <b>OPERATING EXPENSES:</b>                              |   |  |   |
| Operating expenses before depreciation                  | 10,965,107                              | 4,393,683                                | 68,322,882                                      |
| Depreciation  | 2,389,946                               | 25,915                                   | 2,624,742                                       |
| <b>Total operating expenses</b>                         | <b>13,355,053</b>                       | <b>4,419,598</b>                         | <b>70,947,624</b>                               |
| <b>Operating income (loss)</b>                          | <b>(840,963)</b>                        | <b>(498,317)</b>                         | <b>(4,761,949)</b>                              |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                |   |  |   |
| Investment revenue                                      | 23,240                                  | 9,226                                    | 146,875   |
| Interest expense and fiscal charges                     | (33,623)                                | -  | (66,518)  |
| Loss on disposal of capital assets                      | -                                       | 10,407                                   | 19,777  |
| <b>Total non-operating revenues (expenses)</b>          | <b>(10,383)</b>                         | <b>19,633</b>                            | <b>100,134</b>                                  |
| <b>Income (loss) before contributions and transfers</b> | <b>(851,346)</b>                        | <b>(478,684)</b>                         | <b>(4,661,815)</b>                              |
| Capital contributions                                   | -                                       | -  | 73,068  |
| Transfers in  | 37,230                                  | 10,634                                   | 47,864  |
| <b>Change in net position</b>                           | <b>(814,116)</b>                        | <b>(468,050)</b>                         | <b>(4,540,883)</b>                              |
| <b>Net position at beginning of year</b>                | <b>4,794,819</b>                        | <b>(634,211)</b>                         | <b>18,144,315</b>                               |
| <b>Total net position at end of year</b>                | <b>\$ 3,980,703</b>                     | <b>\$ (1,102,261)</b>                    | <b>\$ 13,603,432</b>                            |
|   |   |  | (concluded)                                     |

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

Exhibit XXVIII

|   | Materials<br>Management<br>Fund | Fleet<br>Services<br>Fund | Health<br>Insurance<br>Fund | Risk<br>Retention<br>Fund |
|---|---------------------------------|---------------------------|-----------------------------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                                 |                           |                             |                           |
| Cash received from customers  | \$ 13,699,842                   | \$ 9,938,879              | \$ 25,080,296               | \$ 775,899                |
| Cash paid to employees for services   | (1,399,835)                     | (1,633,496)               | -                           | (881,598)                 |
| Cash paid to suppliers  | (12,265,082)                    | (7,747,964)               | (26,137,980)                | (2,964,015)               |
| Net cash provided (used) by operations  | <u>34,925</u>                   | <u>557,419</u>            | <u>(1,057,684)</u>          | <u>(3,069,714)</u>        |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>   |                                 |                           |                             |                           |
| Transfers in  | -                               | -                         | -                           | -                         |
| Net cash provided by noncapital financing activities  | <u>-</u>                        | <u>-</u>                  | <u>-</u>                    | <u>-</u>                  |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>  |                                 |                           |                             |                           |
| Principal payments on capital debt  | (36,798)                        | (572,065)                 | -                           | -                         |
| Interest and fiscal charges   | (11,238)                        | (25,219)                  | -                           | -                         |
| Principal payments under capital lease obligation   | -                               | -                         | -                           | -                         |
| Proceeds from issuance of debt  | -                               | 569,143                   | -                           | -                         |
| Proceeds from the sale of fixed assets  | -                               | 9,370                     | -                           | -                         |
| Acquisition and construction of capital assets  | (5,868)                         | (242,025)                 | -                           | -                         |
| Net cash provided (used) by capital financing activities  | <u>(53,904)</u>                 | <u>(260,796)</u>          | <u>-</u>                    | <u>-</u>                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                                 |                           |                             |                           |
| Proceeds from sale and maturities of investment securities  | -                               | 665,204                   | 4,986,878                   | 6,580,949                 |
| Purchase of investment securities   | -                               | (945,175)                 | (4,183,403)                 | (4,006,614)               |
| Interest received on investments  | 344                             | 6,029                     | 60,747                      | 67,944                    |
| Net cash provided (used) by investing activities  | <u>344</u>                      | <u>(273,942)</u>          | <u>864,222</u>              | <u>2,642,279</u>          |
| Net increase (decrease) in cash and cash equivalents  | (18,635)                        | 22,681                    | (193,462)                   | (427,435)                 |
| Cash and cash equivalents at beginning of year  | <u>32,478</u>                   | <u>178,493</u>            | <u>967,610</u>              | <u>882,048</u>            |
| Cash and cash equivalents at end of year  | 13,843                          | 201,174                   | 774,148                     | 454,613                   |
| Investments, at fair value  | -                               | 1,475,794                 | 5,679,091                   | 3,335,007                 |
| Cash, cash equivalents and investments, at fair value   | <u>\$ 13,843</u>                | <u>\$ 1,676,968</u>       | <u>\$ 6,453,239</u>         | <u>\$ 3,789,620</u>       |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                                 |                           |                             |                           |
| Operating income (loss)   | <u>\$ 172,713</u>               | <u>\$ 579,182</u>         | <u>\$ (1,238,466)</u>       | <u>\$ (2,936,098)</u>     |
| Adjustments:  |                                 |                           |                             |                           |
| Depreciation expense  | 16,764                          | 192,117                   | -                           | -                         |
| Decrease (Increase) in receivables  | -                               | (23,298)                  | -                           | (212,090)                 |
| Decrease (Increase) in inventories  | (1,118,476)                     | (24,792)                  | -                           | -                         |
| Increase in prepaid items   | (10,934)                        | -                         | -                           | -                         |
| Increase in escrow deposits items   | -                               | -                         | (20,000)                    | -                         |
| Increase (Decrease) in accounts payable   | 199,594                         | (254,305)                 | 200,782                     | 32,322                    |
| Increase in compensated absences  | (6,790)                         | (7,904)                   | -                           | (1,921)                   |
| Increase in interfund payables  | 700,000                         | -                         | -                           | -                         |
| Increase in net municipal pension balances  | 50,096                          | 57,725                    | -                           | 33,010                    |
| Increase in other post employment benefits  | 31,958                          | 38,694                    | -                           | 15,063                    |
| Total adjustments   | <u>(137,788)</u>                | <u>(21,763)</u>           | <u>180,782</u>              | <u>(133,616)</u>          |
| Net cash provided (used) by operating activities  | <u>\$ 34,925</u>                | <u>\$ 557,419</u>         | <u>\$ (1,057,684)</u>       | <u>\$ (3,069,714)</u>     |
| <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>  |                                 |                           |                             |                           |
| Decrease in fair value of investments   | -                               | (3,199)                   | (13,367)                    | (9,028)                   |
| Capital asset contributions   | 24,560                          | 48,508                    | -                           | -                         |

(continued on the following page)

CITY OF DENTON, TEXAS  
COMBINING STATEMENT OF CASH FLOWS (concluded)  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXVIII

|   | Technology<br>Services<br>Fund | Engineering<br>Services<br>Fund | Total<br>Internal<br>Service<br>Funds |
|---|--------------------------------|---------------------------------|---------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                                |                                 |                                       |
| Cash received from customers  | \$ 12,514,090                  | \$ 3,921,281                    | \$ 65,930,287                         |
| Cash paid to employees for services   | (4,237,600)                    | (3,165,886)                     | (11,318,415)                          |
| Cash paid to suppliers  | (6,303,958)                    | (818,242)                       | (56,237,241)                          |
| Net cash provided (used) by operations  | <u>1,972,532</u>               | <u>(62,847)</u>                 | <u>(1,625,369)</u>                    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>   |                                |                                 |                                       |
| Transfers in  | <u>37,230</u>                  | <u>10,634</u>                   | <u>47,864</u>                         |
| Net cash provided by noncapital financing activities  | <u>37,230</u>                  | <u>10,634</u>                   | <u>47,864</u>                         |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>  |                                |                                 |                                       |
| Principal payments on capital debt  | (15,000)                       | -                               | (623,863)                             |
| Interest and fiscal charges   | (33,921)                       | -                               | (70,378)                              |
| Principal payments under capital lease obligation   | (768,799)                      | -                               | (768,799)                             |
| Proceeds from issuance of debt  | -                              | -                               | 569,143                               |
| Proceeds from the sale of fixed assets  | -                              | -                               | 9,370                                 |
| Acquisition and construction of capital assets  | (697,276)                      | 10,408                          | (934,761)                             |
| Net cash provided (used) by capital financing activities  | <u>(1,514,996)</u>             | <u>10,408</u>                   | <u>(1,819,288)</u>                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                                |                                 |                                       |
| Proceeds from sale and maturities of investment securities  | 1,998,027                      | 815,306                         | 15,046,364                            |
| Purchase of investment securities   | (2,496,104)                    | (798,874)                       | (12,430,170)                          |
| Interest received on investments  | 22,179                         | 9,701                           | 166,944                               |
| Net cash provided (used) by investing activities  | <u>(475,898)</u>               | <u>26,133</u>                   | <u>2,783,138</u>                      |
| Net increase (decrease) in cash and cash equivalents  | 18,868                         | (15,672)                        | (613,655)                             |
| Cash and cash equivalents at beginning of year  | <u>565,191</u>                 | <u>154,840</u>                  | <u>2,780,660</u>                      |
| Cash and cash equivalents at end of year  | 584,059                        | 139,168                         | 2,167,005                             |
| Investments, at fair value  | 4,284,615                      | 1,020,925                       | 15,795,432                            |
| Cash, cash equivalents and investments, at fair value   | <u>\$ 4,868,674</u>            | <u>\$ 1,160,093</u>             | <u>\$ 17,962,437</u>                  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                                |                                 |                                       |
| Operating income (loss)   | <u>\$ (840,963)</u>            | <u>\$ (498,317)</u>             | <u>\$ (4,761,949)</u>                 |
| Adjustments:  |                                |                                 |                                       |
| Depreciation expense  | 2,389,946                      | 25,915                          | 2,624,742                             |
| Decrease (Increase) in receivables  | -                              | -                               | (235,388)                             |
| Decrease (Increase) in inventories  | -                              | -                               | (1,143,268)                           |
| Increase in prepaid items   | (91,334)                       | -                               | (102,268)                             |
| Increase in escrow deposits items   | -                              | -                               | (20,000)                              |
| Increase (Decrease) in accounts payable   | 127,407                        | 217,106                         | 522,906                               |
| Increase in compensated absences  | 65,227                         | 14,832                          | 63,444                                |
| Increase in interfund payables  | 94,749                         | -                               | 794,749                               |
| Increase in net municipal pension balances  | 158,334                        | 118,756                         | 417,921                               |
| Increase in other post employment benefits  | 69,166                         | 58,861                          | 213,742                               |
| Total adjustments   | <u>2,813,495</u>               | <u>435,470</u>                  | <u>3,136,580</u>                      |
| Net cash provided (used) by operating activities  | <u>\$ 1,972,532</u>            | <u>\$ (62,847)</u>              | <u>\$ (1,625,369)</u>                 |
| <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>  |                                |                                 |                                       |
| Decrease in fair value of investments   | (9,465)                        | (2,331)                         | (37,390)                              |
| Capital asset contributions   | -                              | -                               | 73,068                                |
|   |                                |                                 | (concluded)                           |

**CITY OF DENTON, TEXAS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Exhibit XXIX**

|  | <u>Balance</u><br><u>October 1, 2016</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance</u><br><u>September 30, 2017</u> |
|--|--|---------------------|---------------------|---|
| <b>OTHER AGENCY FUNDS</b>                                |  |                     |                     |   |
| <b>ASSETS</b>  |  |                     |                     |   |
| Cash, cash equivalents and<br>investments, at fair value | \$ 292,764                               | \$ 1,356,962        | \$ 1,467,700        | \$ 182,026                                  |
| Total assets   | <u>\$ 292,764</u>                        | <u>\$ 1,356,962</u> | <u>\$ 1,467,700</u> | <u>\$ 182,026</u>                           |
| <b>LIABILITIES</b>                                       |  |                     |                     |   |
| Accounts payable   | \$ 292,764                               | \$ 1,356,962        | \$ 1,467,700        | \$ 182,026                                  |
| Total liabilities  | <u>\$ 292,764</u>                        | <u>\$ 1,356,962</u> | <u>\$ 1,467,700</u> | <u>\$ 182,026</u>                           |



**CITY OF DENTON, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION**  
**OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE\***  
**AS OF SEPTEMBER 30, 2016 AND 2017**

**Exhibit XXX**

|  | <u>2017</u>           | <u>2016</u>           |
|--|-----------------------|-----------------------|
| <b>Governmental funds capital assets:</b>                          |                       |                       |
| Land   | \$ 20,880,354         | \$ 15,712,396         |
| Work in progress   | 56,604,771            | 55,103,696            |
| Buildings  | 63,587,711            | 57,062,259            |
| Plant, machinery and equipment                                     | 84,848,684            | 76,297,718            |
| Infrastructure   | 267,898,072           | 245,835,580           |
| Total governmental funds capital assets                            | <u>\$ 493,819,592</u> | <u>\$ 450,011,649</u> |
| <b>Investments in governmental funds capital assets by source:</b> |                       |                       |
| General fund   | \$ 198,261,192        | \$ 189,295,344        |
| Special revenue funds  | 9,442,322             | 9,123,962             |
| Capital projects funds   | 286,116,078           | 251,592,343           |
| Total governmental funds capital assets                            | <u>\$ 493,819,592</u> | <u>\$ 450,011,649</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, 2017

Exhibit XXXI

| Function and Activity                              | Land                 | Buildings            | Plant,<br>Machinery<br>and<br>Equipment | Infrastructure        | Work<br>in<br>Progress | Total                 |
|--|----------------------|----------------------|---|-----------------------|------------------------|-----------------------|
| <b>General government:</b>                         |                      |                      |   |                       |                        |                       |
| Finance  | \$ -                 | \$ -                 | \$ 45,930                               | \$ -                  | \$ -                   | \$ 45,930             |
| Legal  | -                    | -                    | 358,124                                 | -                     | -                      | 358,124               |
| Human resources                                    | -                    | -                    | 74,643                                  | -                     | 355,462                | 430,105               |
| City manager/economic development                  | -                    | 808,462              | 914,228                                 | -                     | -                      | 1,722,690             |
| Facilities management                              | 2,742,115            | 15,529,855           | 14,748,178                              | 648,847               | 156,835                | 33,825,830            |
| Library  | -                    | 12,050,477           | 7,855,314                               | 14,715                | -                      | 19,920,506            |
| Building inspections                               | -                    | -                    | 384,222                                 | -                     | -                      | 384,222               |
| Planning/community development                     | -                    | 494,500              | 643,427                                 | 24,057                | -                      | 1,161,984             |
| Engineering  | -                    | -                    | -                                       | -                     | 1,750,880              | 1,750,880             |
| Community improvement services                     | -                    | -                    | 231,403                                 | -                     | -                      | 231,403               |
| Gas Well Review                                    | -                    | -                    | 27,478                                  | -                     | -                      | 27,478                |
| Reprographics                                      | -                    | -                    | 150,155                                 | -                     | -                      | 150,155               |
| Total general government                           | 2,742,115            | 28,883,294           | 25,433,102                              | 687,619               | 2,263,177              | 60,009,307            |
| <b>Public works:</b>                               |                      |                      |   |                       |                        |                       |
| Traffic operations                                 | 1,236                | 14,600               | 1,868,994                               | 20,014,052            | 1,184,028              | 23,082,910            |
| Streets  | 984,280              | 5,000                | 7,139,988                               | 229,521,882           | 34,136,149             | 271,787,299           |
| Total public works                                 | 985,516              | 19,600               | 9,008,982                               | 249,535,934           | 35,320,177             | 294,870,209           |
| <b>Parks and recreation</b>                        | 11,028,535           | 17,115,410           | 13,430,071                              | 17,669,519            | 6,394,437              | 65,637,972            |
| <b>Public safety:</b>                              |                      |                      |   |                       |                        |                       |
| Fire administration                                | 2,720,603            | -                    | 260,861                                 | -                     | -                      | 2,981,464             |
| Fire operations                                    | 2,399,521            | 11,511,733           | 16,977,369                              | 5,000                 | 11,922,301             | 42,815,924            |
| Fire prevention                                    | -                    | -                    | 1,467,598                               | -                     | -                      | 1,467,598             |
| Emergency medical services                         | -                    | -                    | 417,131                                 | -                     | -                      | 417,131               |
| Police   | -                    | 11,993               | 16,913,783                              | -                     | 704,679                | 17,630,455            |
| Animal services                                    | 1,004,064            | 6,045,681            | 441,680                                 | -                     | -                      | 7,491,425             |
| Municipal court/judge/clerks                       | -                    | -                    | 498,107                                 | -                     | -                      | 498,107               |
| Total public safety                                | 6,124,188            | 17,569,407           | 36,976,529                              | 5,000                 | 12,626,980             | 73,302,104            |
| <b>Total governmental funds<br/>capital assets</b> | <b>\$ 20,880,354</b> | <b>\$ 63,587,711</b> | <b>\$ 84,848,684</b>                    | <b>\$ 267,898,072</b> | <b>\$ 56,604,771</b>   | <b>\$ 493,819,592</b> |

\*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, 2017

Exhibit XXXII

| Function and Activity                          | Governmental<br>Funds Capital<br>Assets<br>October 1, 2016 | Additions            | Deductions             | Governmental<br>Funds Capital<br>Assets<br>September 30, 2017 |
|--|--|----------------------|------------------------|---|
| <b>General government:</b>                     |  |                      |                        |   |
| Finance  | \$ 45,930  | \$ -                 | \$ -                   | \$ 45,930   |
| Legal  | 358,124  | -                    | -                      | 358,124   |
| Human resources                                | 74,643   | -                    | -                      | 74,643  |
| City manager/economic development              | 1,511,116  | 255,069              | (43,495)               | 1,722,690   |
| Facilities management                          | 28,668,206   | 5,107,364            | (106,575)              | 33,668,995  |
| Library  | 19,709,700   | 557,083              | (346,277)              | 19,920,506  |
| Building inspections                           | 297,949  | 120,054              | (33,781)               | 384,222   |
| Planning/community development                 | 1,025,275  | 187,099              | (50,390)               | 1,161,984   |
| Community improvement services                 | 292,997  | 22,692               | (84,286)               | 231,403   |
| Gas Well Review                                | 27,478   | -                    | -                      | 27,478  |
| Reprographics                                  | 150,155  | -                    | -                      | 150,155   |
| Total general government                       | 52,161,573   | 6,249,361            | (664,804)              | 57,746,130  |
| <b>Public works:</b>                           |  |                      |                        |   |
| Traffic operations                             | 20,698,753   | 1,230,429            | (30,300)               | 21,898,882  |
| Streets  | 218,936,635  | 19,232,195           | (517,680)              | 237,651,150   |
| Total public works                             | 239,635,388  | 20,462,624           | (547,980)              | 259,550,032   |
| <b>Parks and recreation</b>                    | 54,464,495   | 5,124,629            | (345,589)              | 59,243,535  |
| <b>Public safety:</b>                          |  |                      |                        |   |
| Fire administration                            | 547,812  | 2,437,695            | (4,043)                | 2,981,464   |
| Fire operations                                | 28,919,849   | 3,360,395            | (1,386,621)            | 30,893,623  |
| Fire prevention                                | 1,445,098  | 22,500               | -                      | 1,467,598   |
| Emergency medical services                     | 381,368  | 35,763               | -                      | 417,131   |
| Police   | 15,068,160   | 3,060,446            | (1,202,830)            | 16,925,776  |
| Animal services                                | 1,792,433  | 5,743,532            | (44,540)               | 7,491,425   |
| Municipal court/judge/clerks                   | 491,777  | 6,330                | -                      | 498,107   |
| Total public safety                            | 48,646,497   | 14,666,661           | (2,638,034)            | 60,675,124  |
| <b>Work in progress</b>                        | 55,103,696   | 37,985,101           | (36,484,026)           | 56,604,771  |
| <b>Total governmental funds capital assets</b> | <u>\$ 450,011,649</u>                                      | <u>\$ 84,488,376</u> | <u>\$ (40,680,433)</u> | <u>\$ 493,819,592</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.



## 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)**

**Table 1**

|                                       | <b>2008</b>           | <b>2009</b>           | <b>2010</b>           | <b>2011</b>           | <b>2012</b>           |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Governmental activities</b>        |                       |                       |                       |                       |                       |
| Net investment in capital assets      | \$ 102,040,021        | \$ 102,110,134        | \$ 104,636,239        | \$ 103,073,465        | \$ 101,784,929        |
| Restricted                            | 1,454,579             | 1,947,553             | 2,894,676             | 2,839,556             | 3,460,027             |
| Unrestricted                          | 37,610,966            | 38,252,078            | 46,480,569            | 34,590,673            | 35,005,109            |
| <b>Total governmental activities</b>  |                       |                       |                       |                       |                       |
| net position                          | <u>141,105,566</u>    | <u>142,309,765</u>    | <u>154,011,484</u>    | <u>140,503,694</u>    | <u>140,250,065</u>    |
| <b>Business-type activities</b>       |                       |                       |                       |                       |                       |
| Net investment in capital assets      | 263,325,859           | 282,463,031           | 277,356,195           | 296,006,601           | 315,479,026           |
| Restricted                            | 33,087,609            | 33,380,595            | 30,598,923            | 30,454,314            | 28,559,731            |
| Unrestricted                          | 107,545,434           | 109,826,810           | 131,497,936           | 158,120,736           | 169,653,341           |
| <b>Total business-type activities</b> |                       |                       |                       |                       |                       |
| net position                          | <u>403,958,902</u>    | <u>425,670,436</u>    | <u>439,453,054</u>    | <u>484,581,651</u>    | <u>513,692,098</u>    |
| <b>Primary government</b>             |                       |                       |                       |                       |                       |
| Net investment in capital assets      | 365,365,880           | 384,573,165           | 381,992,434           | 399,080,066           | 417,263,955           |
| Restricted                            | 34,542,188            | 35,328,148            | 33,493,599            | 33,293,870            | 32,019,758            |
| Unrestricted                          | 145,156,400           | 148,078,888           | 177,978,505           | 192,711,409           | 204,658,450           |
| <b>Total primary government</b>       |                       |                       |                       |                       |                       |
| net position                          | <u>\$ 545,064,468</u> | <u>\$ 567,980,201</u> | <u>\$ 593,464,538</u> | <u>\$ 625,085,345</u> | <u>\$ 653,942,163</u> |

(continued on the following page)

Source: Comprehensive Annual Financial Reports

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

**Table 1**

|                                       | <b>2013</b>           | <b>2014</b>           | <b>2015</b>           | <b>2016</b>           | <b>2017</b>           |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Governmental activities</b>        |                       |                       |                       |                       |                       |
| Net investment in capital assets      | \$ 116,146,838        | \$ 128,915,116        | \$ 141,914,877        | \$ 145,309,987        | \$ 165,408,284        |
| Restricted                            | 4,116,256             | 12,233,226            | 13,215,421            | 13,736,624            | 14,530,908            |
| Unrestricted                          | 35,136,072            | 28,096,148            | (8,775,520)           | (3,620,580)           | (6,509,698)           |
| <b>Total governmental activities</b>  |                       |                       |                       |                       |                       |
| net position                          | <b>155,399,166</b>    | <b>169,244,490</b>    | <b>146,354,778</b>    | <b>155,426,031</b>    | <b>173,429,494</b>    |
| <b>Business-type activities</b>       |                       |                       |                       |                       |                       |
| Net investment in capital assets      | 347,780,207           | 383,678,313           | 421,894,337           | 460,330,063           | 502,801,204           |
| Restricted                            | 28,654,879            | 28,056,605            | 25,356,458            | 8,892,547             | 11,516,207            |
| Unrestricted                          | 158,145,443           | 139,515,508           | 122,542,446           | 151,234,604           | 145,191,889           |
| <b>Total business-type activities</b> |                       |                       |                       |                       |                       |
| net position                          | <b>534,580,529</b>    | <b>551,250,426</b>    | <b>569,793,241</b>    | <b>620,457,214</b>    | <b>659,509,300</b>    |
| <b>Primary government</b>             |                       |                       |                       |                       |                       |
| Net investment in capital assets      | 463,927,045           | 512,593,429           | 563,809,214           | 605,640,050           | 668,209,488           |
| Restricted                            | 32,771,135            | 40,289,831            | 38,571,879            | 22,629,171            | 26,047,115            |
| Unrestricted                          | 193,281,515           | 167,611,656           | 113,766,926           | 147,614,024           | 138,682,191           |
| <b>Total primary government</b>       |                       |                       |                       |                       |                       |
| net position                          | <b>\$ 689,979,695</b> | <b>\$ 720,494,916</b> | <b>\$ 716,148,019</b> | <b>\$ 775,883,245</b> | <b>\$ 832,938,794</b> |

(concluded)

Source: Comprehensive Annual Financial Reports

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

Table 2

|  | 2008                   | 2009                   | 2010                   | 2011                   | 2012                   |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>EXPENSES</b>  |                        |                        |                        |                        |                        |
| <b>Governmental activities:</b>                        |                        |                        |                        |                        |                        |
| General government                                     | \$ 26,408,949          | \$ 27,482,131          | \$29,569,535           | \$28,198,604           | \$29,421,275           |
| Public safety  | 43,426,526             | 45,368,783             | 47,998,906             | 49,154,371             | 52,496,010             |
| Public works   | 15,448,473             | 15,816,065             | 15,767,926             | 16,089,302             | 18,662,029             |
| Parks and recreation                                   | 12,927,020             | 12,755,037             | 12,854,336             | 12,421,893             | 12,968,426             |
| Interest expense                                       | 5,372,868              | 5,733,268              | 5,121,329              | 5,046,724              | 4,755,938              |
| <b>Total governmental activities expenses</b>          | <b>103,583,836</b>     | <b>107,155,284</b>     | <b>111,312,032</b>     | <b>110,910,894</b>     | <b>118,303,678</b>     |
| <b>Business-type activities:</b>                       |                        |                        |                        |                        |                        |
| Electric system  | 138,791,009            | 124,901,262            | 114,903,831            | 117,769,599            | 122,428,808            |
| Water system   | 26,226,068             | 28,636,190             | 27,219,944             | 28,293,109             | 26,822,690             |
| Wastewater system                                      | 19,413,247             | 19,909,229             | 20,560,600             | 20,455,424             | 20,890,614             |
| Solid waste  | 17,065,295             | 18,036,331             | 18,028,832             | 20,008,746             | 21,695,322             |
| Airport  | -                      | -                      | -                      | 1,326,397              | 1,472,155              |
| <b>Total business-type activities expenses</b>         | <b>201,495,619</b>     | <b>191,483,012</b>     | <b>180,713,207</b>     | <b>187,853,275</b>     | <b>193,309,589</b>     |
| <b>Total primary government expenses</b>               | <b>305,079,455</b>     | <b>298,638,296</b>     | <b>292,025,239</b>     | <b>298,764,169</b>     | <b>311,613,267</b>     |
| <b>PROGRAM REVENUES</b>                                |                        |                        |                        |                        |                        |
| <b>Governmental activities:</b>                        |                        |                        |                        |                        |                        |
| Charges for services:                                  |                        |                        |                        |                        |                        |
| General government                                     | 3,310,592              | 4,792,856              | 3,551,733              | 4,108,687              | 3,873,349              |
| Public safety  | 6,461,037              | 6,554,619              | 6,431,007              | 7,075,328              | 7,069,770              |
| Public works   | 853,091                | 586,377                | 1,425,683              | 525,024                | 1,086,269              |
| Parks and recreation                                   | 3,292,528              | 2,990,921              | 3,372,579              | 3,964,517              | 3,951,433              |
| Operating grants and contributions                     | 3,306,325              | 2,281,136              | 3,407,085              | 4,270,697              | 2,598,157              |
| Capital grants and contributions                       | 7,308,398              | 3,641,296              | 15,206,424             | 7,497,908              | 4,292,468              |
| <b>Total governmental activities program revenues</b>  | <b>24,531,971</b>      | <b>20,847,205</b>      | <b>33,394,511</b>      | <b>27,442,161</b>      | <b>22,871,446</b>      |
| <b>Business-type activities:</b>                       |                        |                        |                        |                        |                        |
| Charges for services:                                  |                        |                        |                        |                        |                        |
| Electric system  | 138,467,222            | 128,511,236            | 119,156,314            | 131,435,554            | 132,352,950            |
| Water system   | 30,843,797             | 30,067,774             | 28,407,954             | 36,790,720             | 36,265,061             |
| Wastewater system                                      | 23,184,369             | 22,342,174             | 21,917,651             | 23,338,841             | 24,570,095             |
| Solid waste  | 16,660,375             | 18,386,616             | 18,432,245             | 20,979,967             | 22,944,272             |
| Airport  | -                      | -                      | -                      | 3,203,426              | 1,909,619              |
| Capital grants and contributions                       | 5,742,139              | 8,099,722              | 5,153,568              | 5,053,024              | 4,317,463              |
| <b>Total business-type activities program revenues</b> | <b>214,897,902</b>     | <b>207,407,522</b>     | <b>193,067,732</b>     | <b>220,801,532</b>     | <b>222,359,460</b>     |
| <b>Total primary government program revenues</b>       | <b>239,429,873</b>     | <b>228,254,727</b>     | <b>226,462,243</b>     | <b>248,243,693</b>     | <b>245,230,906</b>     |
| <b>NET (EXPENSE)/REVENUE</b>                           |                        |                        |                        |                        |                        |
| Governmental activities                                | (79,051,865)           | (86,308,079)           | (77,917,521)           | (83,468,733)           | (95,432,232)           |
| Business-type activities                               | 13,402,283             | 15,924,510             | 12,354,525             | 32,948,257             | 29,049,871             |
| <b>Total primary government program net expense</b>    | <b>\$ (65,649,582)</b> | <b>\$ (70,383,569)</b> | <b>\$ (65,562,996)</b> | <b>\$ (50,520,476)</b> | <b>\$ (66,382,361)</b> |

(continued on the following page)



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

**Table 2**

|  | 2013                   | 2014                   | 2015                   | 2016                   | 2017                   |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>EXPENSES</b>  |                        |                        |                        |                        |                        |
| <b>Governmental activities:</b>                        |                        |                        |                        |                        |                        |
| General government                                     | \$27,686,735           | \$30,476,840           | \$31,260,126           | \$33,847,052           | \$40,761,972           |
| Public safety  | 52,906,985             | 56,893,859             | 58,132,146             | 63,118,516             | 68,546,557             |
| Public works   | 18,663,884             | 16,950,280             | 20,331,934             | 24,557,482             | 24,994,628             |
| Parks and recreation                                   | 13,714,245             | 14,543,461             | 14,982,742             | 16,043,697             | 16,792,417             |
| Interest expense                                       | 4,464,309              | 4,339,154              | 4,384,973              | 4,664,608              | 4,970,968              |
| <b>Total governmental activities expenses</b>          | <b>117,436,158</b>     | <b>123,203,594</b>     | <b>129,091,921</b>     | <b>142,231,355</b>     | <b>156,066,542</b>     |
| <b>Business-type activities:</b>                       |                        |                        |                        |                        |                        |
| Electric system  | 146,246,880            | 157,906,294            | 158,106,661            | 145,963,753            | 174,900,860            |
| Water system   | 26,814,020             | 24,023,392             | 25,870,489             | 26,000,734             | 28,202,500             |
| Wastewater system                                      | 21,467,088             | 22,176,191             | 24,307,305             | 23,921,154             | 26,730,157             |
| Solid waste  | 21,730,796             | 23,844,055             | 26,766,890             | 29,435,101             | 34,532,856             |
| Airport  | 1,608,989              | 2,435,446              | 2,100,281              | 2,536,460              | 1,930,767              |
| <b>Total business-type activities expenses</b>         | <b>217,867,773</b>     | <b>230,385,378</b>     | <b>237,151,626</b>     | <b>227,857,202</b>     | <b>266,297,140</b>     |
| <b>Total primary government expenses</b>               | <b>335,303,931</b>     | <b>353,588,972</b>     | <b>366,243,547</b>     | <b>370,088,557</b>     | <b>422,363,682</b>     |
| <b>PROGRAM REVENUES</b>                                |                        |                        |                        |                        |                        |
| <b>Governmental activities:</b>                        |                        |                        |                        |                        |                        |
| Charges for services:                                  |                        |                        |                        |                        |                        |
| General government                                     | 4,105,648              | 4,645,655              | 5,364,405              | 6,015,305              | 5,266,777              |
| Public safety  | 7,767,083              | 7,064,927              | 7,276,024              | 9,827,784              | 8,773,221              |
| Public works   | 1,159,605              | 885,010                | 707,604                | 729,528                | 879,453                |
| Parks and recreation                                   | 4,059,383              | 5,833,238              | 4,926,465              | 5,268,637              | 4,414,379              |
| Operating grants and contributions                     | 3,118,105              | 4,788,149              | 3,380,119              | 2,855,501              | 4,667,791              |
| Capital grants and contributions                       | 14,671,571             | 11,127,695             | 10,443,220             | 5,885,033              | 17,180,091             |
| <b>Total governmental activities program revenues</b>  | <b>34,881,395</b>      | <b>34,344,674</b>      | <b>32,097,837</b>      | <b>30,581,788</b>      | <b>41,181,712</b>      |
| <b>Business-type activities:</b>                       |                        |                        |                        |                        |                        |
| Charges for services:                                  |                        |                        |                        |                        |                        |
| Electric system  | 136,655,892            | 150,362,507            | 167,696,288            | 166,290,498            | 172,027,080            |
| Water system   | 37,586,306             | 34,865,803             | 37,572,331             | 38,181,034             | 41,332,006             |
| Wastewater system                                      | 26,588,179             | 28,629,754             | 30,790,885             | 31,900,885             | 33,360,603             |
| Solid waste  | 24,468,976             | 25,980,914             | 29,091,216             | 31,236,506             | 33,847,593             |
| Airport  | 1,880,812              | 1,925,825              | 1,277,402              | 1,183,661              | 1,495,619              |
| Capital grants and contributions                       | 9,877,185              | 5,656,622              | 8,593,699              | 7,705,101              | 20,347,889             |
| <b>Total business-type activities program revenues</b> | <b>237,057,350</b>     | <b>247,421,425</b>     | <b>275,021,821</b>     | <b>276,497,685</b>     | <b>302,410,790</b>     |
| <b>Total primary government program revenues</b>       | <b>271,938,745</b>     | <b>281,766,099</b>     | <b>307,119,658</b>     | <b>307,079,473</b>     | <b>343,592,502</b>     |
| <b>NET (EXPENSE)/REVENUE</b>                           |                        |                        |                        |                        |                        |
| Governmental activities                                | (82,554,763)           | (88,858,920)           | (96,994,084)           | (111,649,567)          | (114,884,830)          |
| Business-type activities                               | 19,189,577             | 17,036,047             | 37,870,195             | 48,640,483             | 36,113,650             |
| <b>Total primary government program net expense</b>    | <b>\$ (63,365,186)</b> | <b>\$ (71,822,873)</b> | <b>\$ (59,123,889)</b> | <b>\$ (63,009,084)</b> | <b>\$ (78,771,180)</b> |

(continued on the following page)

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

**Table 2**

|   | <u>2008</u>          | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>GENERAL REVENUES AND OTHER CHANGES<br/>IN NET POSITION</b> |                      |                      |                      |                      |                      |
| <b>Governmental activities:</b>                               |                      |                      |                      |                      |                      |
| <b>Taxes:</b>   |                      |                      |                      |                      |                      |
| Property tax  | \$ 41,499,791        | \$ 43,187,433        | \$43,144,645         | \$44,144,844         | \$45,174,160         |
| Sales tax <sup>1</sup>  | 21,440,839           | 20,466,772           | 20,484,954           | 22,871,282           | 25,886,940           |
| Franchise tax   | 16,197,042           | 15,669,981           | 17,457,994           | 19,324,244           | 19,336,701           |
| Hotel occupancy tax   | 1,369,667            | 1,239,261            | 1,302,617            | 1,513,468            | 1,555,347            |
| Beverage tax  | 319,541              | 338,700              | 347,940              | 359,671              | 345,032              |
| Bingo tax   | 23,653               | 22,915               | 22,611               | 21,963               | 20,889               |
| Investment income   | 3,287,282            | 2,413,339            | 684,709              | 459,615              | 581,849              |
| Gain on sale of capital assets                                | -                    | -                    | -                    | -                    | -                    |
| Miscellaneous   | 4,214,028            | 3,327,758            | 5,690,969            | 2,370,682            | 1,390,398            |
| Transfers   | 323,038              | 846,119              | 482,801              | (10,430,082)         | 887,287              |
| <b>Total governmental activities</b>                          | <u>88,674,881</u>    | <u>87,512,278</u>    | <u>89,619,240</u>    | <u>80,635,687</u>    | <u>95,178,603</u>    |
| <b>Business-type activities:</b>                              |                      |                      |                      |                      |                      |
| Investment income   | 7,817,671            | 6,075,453            | 1,653,515            | 1,472,078            | 1,638,830            |
| Gain on sale of capital assets                                | -                    | -                    | -                    | -                    | -                    |
| Miscellaneous   | 195,055              | 557,690              | 257,379              | 278,180              | (690,967)            |
| Transfers   | (323,038)            | (846,119)            | (482,801)            | 10,430,082           | (887,287)            |
| <b>Total business-type activities</b>                         | <u>7,689,688</u>     | <u>5,787,024</u>     | <u>1,428,093</u>     | <u>12,180,340</u>    | <u>60,576</u>        |
| <b>Total primary government</b>                               | <u>96,364,569</u>    | <u>93,299,302</u>    | <u>91,047,333</u>    | <u>92,816,027</u>    | <u>95,239,179</u>    |
| <b>CHANGE IN NET POSITION</b>                                 |                      |                      |                      |                      |                      |
| Governmental activities                                       | 9,623,016            | 1,204,199            | 11,701,719           | (2,833,046)          | (253,629)            |
| Business-type activities                                      | 21,091,971           | 21,711,534           | 13,782,618           | 45,128,597           | 29,110,447           |
| <b>Total primary government</b>                               | <u>\$ 30,714,987</u> | <u>\$ 22,915,733</u> | <u>\$ 25,484,337</u> | <u>\$ 42,295,551</u> | <u>\$ 28,856,818</u> |

(continued on the following page)

Source: Comprehensive Annual Financial Reports

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

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

**Table 2**

|   | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>GENERAL REVENUES AND OTHER CHANGES</b> |                      |                      |                      |                      |                      |
| <b>IN NET POSITION (concluded)</b>        |                      |                      |                      |                      |                      |
| <b>Governmental activities:</b>           |                      |                      |                      |                      |                      |
| <b>Taxes:</b>                             |                      |                      |                      |                      |                      |
| Property tax                              | \$47,275,552         | \$48,833,077         | \$54,174,965         | \$58,788,255         | \$64,348,754         |
| Sales tax <sup>1</sup>                    | 26,522,473           | 27,764,114           | 30,601,965           | 32,624,297           | 36,841,137           |
| Franchise tax                             | 19,901,459           | 21,001,427           | 21,996,031           | 22,659,014           | 24,211,081           |
| Hotel occupancy tax                       | 1,910,125            | 1,982,643            | 2,156,294            | 2,243,264            | 2,374,221            |
| Beverage tax                              | 392,192              | 419,498              | 573,758              | 597,284              | 617,662              |
| Bingo tax                                 | 20,774               | 20,684               | 20,380               | 18,910               | 13,633               |
| Investment income                         | 354,089              | 563,236              | 759,334              | 1,019,594            | 1,330,008            |
| Gain on sale of capital assets            | -                    | -                    | 707,966              | 498,265              | 192,583              |
| Miscellaneous                             | 1,428,907            | 1,980,545            | 1,220,060            | 1,087,504            | 2,042,274            |
| Transfers                                 | (101,707)            | 876,525              | 1,140,938            | 1,184,433            | 916,940              |
| <b>Total governmental activities</b>      | <b>97,703,864</b>    | <b>103,441,749</b>   | <b>113,351,691</b>   | <b>120,720,820</b>   | <b>132,888,293</b>   |
| <b>Business-type activities:</b>          |                      |                      |                      |                      |                      |
| Investment income                         | 1,085,856            | 1,355,730            | 1,692,971            | 2,010,008            | 3,471,635            |
| Gain on sale of capital assets            | -                    | -                    | 42,455               | 1,197,915            | 383,741              |
| Miscellaneous                             | 511,291              | 521,013              | -                    | -                    | -                    |
| Transfers                                 | 101,707              | (876,525)            | (1,140,938)          | (1,184,433)          | (916,940)            |
| <b>Total business-type activities</b>     | <b>1,698,854</b>     | <b>1,000,218</b>     | <b>594,488</b>       | <b>2,023,490</b>     | <b>2,938,436</b>     |
| <b>Total primary government</b>           | <b>99,402,718</b>    | <b>104,441,967</b>   | <b>113,946,179</b>   | <b>122,744,310</b>   | <b>135,826,729</b>   |
| <b>CHANGE IN NET POSITION</b>             |                      |                      |                      |                      |                      |
| Governmental activities                   | 15,149,101           | 14,582,829           | 16,357,607           | 9,071,253            | 18,003,463           |
| Business-type activities                  | 20,888,431           | 18,036,265           | 38,464,683           | 50,663,973           | 39,052,086           |
| <b>Total primary government</b>           | <b>\$ 36,037,532</b> | <b>\$ 32,619,094</b> | <b>\$ 54,822,290</b> | <b>\$ 59,735,226</b> | <b>\$ 57,055,549</b> |
|   |                      |                      |                      |                      | (concluded)          |

Source: Comprehensive Annual Financial Reports

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

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

**Table 3**

|   | 2008                 | 2009                 | 2010                 | 2011 <sup>1</sup>    | 2012                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>General fund</b>                       |                      |                      |                      |                      |                      |
| Reserved for encumbrances                 | \$ 123,696           | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved, designated                    | -                    | -                    | -                    | -                    | -                    |
| Committed to streets                      | -                    | -                    | -                    | 921,779              | -                    |
| Assigned to use of reserves               | -                    | -                    | -                    | 668,116              | 664,894              |
| Unreserved, undesignated, unassigned      | 25,253,797           | 22,794,955           | 21,526,779           | 22,834,108           | 25,171,186           |
| <b>Total general fund</b>                 | <b>25,377,493</b>    | <b>22,794,955</b>    | <b>21,526,779</b>    | <b>24,424,003</b>    | <b>25,836,080</b>    |
| <b>All other governmental funds</b>       |                      |                      |                      |                      |                      |
| Reserved for:                             |                      |                      |                      |                      |                      |
| Debt service                              | 1,954,955            | 2,414,288            | 3,354,535            | -                    | -                    |
| Capital projects                          | 57,887,531           | 35,339,606           | 44,970,571           | -                    | -                    |
| Encumbrances                              | 5,515                | -                    | -                    | -                    | -                    |
| Unreserved, undesignated reported in:     |                      |                      |                      |                      |                      |
| Special revenue funds                     | 9,534,627            | 16,435,449           | 13,838,425           | -                    | -                    |
| Restricted for:                           |                      |                      |                      |                      |                      |
| Debt Service                              | -                    | -                    | -                    | 3,279,080            | 3,824,438            |
| Parks and recreation                      | -                    | -                    | -                    | 9,561,244            | 10,496,887           |
| Streets and drainage projects             | -                    | -                    | -                    | 21,857,670           | 22,004,377           |
| Other capital projects                    | -                    | -                    | -                    | 5,907,877            | 8,444,073            |
| Other grants and purposes                 | -                    | -                    | -                    | 1,223,822            | 1,789,241            |
| Committed to:                             |                      |                      |                      |                      |                      |
| Streets                                   | -                    | -                    | -                    | -                    | 991,942              |
| Parks and recreation                      | -                    | -                    | -                    | 1,427,717            | 570,534              |
| Other purposes                            | -                    | -                    | -                    | 1,867,639            | 1,468,837            |
| Assigned to:                              |                      |                      |                      |                      |                      |
| Streets and drainage projects             | -                    | -                    | -                    | 724,241              | -                    |
| Other capital projects                    | -                    | -                    | -                    | 1,332,105            | 3,003,344            |
| Other purposes                            | -                    | -                    | -                    | 77,341               | 49,026               |
| Unassigned                                | -                    | -                    | -                    | (758,734)            | (91,145)             |
| <b>Total all other governmental funds</b> | <b>\$ 69,382,628</b> | <b>\$ 54,189,343</b> | <b>\$ 62,163,531</b> | <b>\$ 46,500,002</b> | <b>\$ 52,551,554</b> |

(continued on the following page)

Source: Comprehensive Annual Financial Reports

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

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

Table 3

|   | 2013                 | 2014                 | 2015                 | 2016                 | 2017                  |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| <b>General fund</b>                       |                      |                      |                      |                      |                       |
| Reserved for encumbrances                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                  |
| Unreserved, designated                    | -                    | -                    | -                    | -                    | -                     |
| Committed to streets                      | -                    | -                    | -                    | -                    | -                     |
| Assigned to use of reserves               | 1,377,039            | 661,545              | -                    | 99,365               | -                     |
| Unreserved, undesignated, unassigned      | 24,378,139           | 25,176,737           | 27,365,168           | 28,070,483           | 31,770,773            |
| <b>Total general fund</b>                 | <b>25,755,178</b>    | <b>25,838,282</b>    | <b>27,365,168</b>    | <b>28,169,848</b>    | <b>31,770,773</b>     |
| <b>All other governmental funds</b>       |                      |                      |                      |                      |                       |
| Reserved for:                             |                      |                      |                      |                      |                       |
| Debt service                              | -                    | -                    | -                    | -                    | -                     |
| Capital projects                          | -                    | -                    | -                    | -                    | -                     |
| Encumbrances                              | -                    | -                    | -                    | -                    | -                     |
| Unreserved, undesignated reported in:     |                      |                      |                      |                      |                       |
| Special revenue funds                     | -                    | -                    | -                    | -                    | -                     |
| Restricted for:                           |                      |                      |                      |                      |                       |
| Debt Service                              | 4,572,807            | 4,726,841            | 4,791,880            | 4,893,032            | 5,409,144             |
| Parks and recreation                      | 9,220,953            | 11,584,890           | 14,288,659           | 13,553,834           | 10,599,568            |
| Streets and drainage projects             | 23,759,574           | 25,790,648           | 42,537,941           | 46,511,509           | 51,149,305            |
| Other capital projects                    | 12,231,061           | 11,925,978           | 10,603,695           | 13,512,733           | 18,544,086            |
| Other grants and purposes                 | 2,223,626            | 2,465,093            | 3,218,466            | 3,319,230            | 4,104,036             |
| Committed to:                             |                      |                      |                      |                      |                       |
| Streets                                   | 1,330,184            | 916,613              | 1,388,223            | 1,798,624            | 1,158,667             |
| Parks and recreation                      | 590,062              | 573,429              | 513,484              | 498,150              | 439,825               |
| Other purposes                            | 1,801,661            | 3,560,159            | 4,430,392            | 5,500,983            | 6,889,093             |
| Assigned to:                              |                      |                      |                      |                      |                       |
| Streets and drainage projects             | 144,485              | 423,152              | 2,214,613            | 3,430,681            | 7,897,077             |
| Other capital projects                    | 2,599,101            | 2,868,390            | 1,666,029            | 3,728,955            | 6,945,492             |
| Other purposes                            | 56,900               | 34,847               | 49,630               | 74,558               | 59                    |
| Unassigned                                | (8,901)              | (144,084)            | (73,857)             | (242,338)            | (2,942,377)           |
| <b>Total all other governmental funds</b> | <b>\$ 58,521,513</b> | <b>\$ 64,725,956</b> | <b>\$ 85,629,155</b> | <b>\$ 96,579,951</b> | <b>\$ 110,193,975</b> |
|   |                      |                      |                      |                      | (concluded)           |

Source: Comprehensive Annual Financial Reports

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

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

Table 4

|  | 2008                 | 2009                   | 2010                | 2011                  | 2012                |
|--|----------------------|------------------------|---------------------|-----------------------|---------------------|
| <b>REVENUES:</b>   |                      |                        |                     |                       |                     |
| Taxes:   |                      |                        |                     |                       |                     |
| Property tax   | \$ 41,436,012        | \$ 42,980,209          | \$ 43,326,427       | \$ 44,147,706         | \$ 45,116,485       |
| Sales tax <sup>1</sup>   | 21,440,839           | 20,466,772             | 20,484,954          | 22,871,282            | 25,886,940          |
| Hotel occupancy tax  | 1,369,667            | 1,239,261              | 1,302,617           | 1,513,468             | 1,555,347           |
| Beverage tax   | 319,541              | 338,700                | 347,940             | 359,671               | 345,032             |
| Bingo tax  | 23,653               | 22,915                 | 22,611              | 21,963                | 20,889              |
| Licenses and permits   | 1,080,580            | 1,265,733              | 1,198,552           | 1,460,548             | 1,436,215           |
| Franchise fees   | 16,197,042           | 15,669,981             | 17,457,994          | 19,324,244            | 19,336,701          |
| Fines and forfeitures  | 5,262,189            | 4,972,905              | 4,828,159           | 4,929,110             | 5,462,133           |
| Fees for services  | 7,951,665            | 7,595,440              | 12,244,258          | 8,395,583             | 8,519,763           |
| Investment revenue   | 3,287,282            | 2,415,817              | 684,709             | 459,615               | 581,849             |
| Intergovernmental  | 8,094,307            | 4,049,439              | 16,639,038          | 10,896,063            | 6,739,864           |
| Miscellaneous  | 3,778,673            | 3,183,891              | 1,002,133           | 1,911,634             | 1,171,618           |
| Total revenues   | 110,241,450          | 104,201,063            | 119,539,392         | 116,290,887           | 116,172,836         |
| <b>EXPENDITURES:</b>   |                      |                        |                     |                       |                     |
| General government   | 24,110,329           | 25,223,041             | 26,909,485          | 25,784,296            | 24,359,018          |
| Public safety  | 40,855,112           | 42,540,423             | 44,398,442          | 46,561,747            | 48,118,051          |
| Public works   | 6,596,191            | 6,753,314              | 6,517,717           | 7,483,926             | 8,608,554           |
| Parks and recreation   | 11,557,168           | 11,444,577             | 11,072,061          | 10,913,450            | 11,315,951          |
| Capital outlay   | 23,275,703           | 21,863,647             | 14,164,662          | 12,937,053            | 10,983,987          |
| Debt service:  |                      |                        |                     |                       |                     |
| Principal retirement   | 8,479,136            | 9,479,243              | 9,277,804           | 9,670,892             | 9,770,660           |
| Advance refunding escrow                                       | -                    | 148,575                | -                   | -                     | 130,111             |
| Bond issuance costs  | 530,137              | 105,392                | 78,919              | 29,156                | 163,811             |
| Interest and other charges                                     | 5,261,346            | 5,570,770              | 5,095,245           | 5,070,734             | 4,758,305           |
| Total expenditures   | 120,665,122          | 123,128,982            | 117,514,335         | 118,451,254           | 118,208,448         |
| Excess (deficiency) of revenues<br>over (under) expenditures   | (10,423,672)         | (18,927,919)           | 2,025,057           | (2,160,367)           | (2,035,612)         |
| <b>OTHER FINANCING SOURCES (USES):</b>                         |                      |                        |                     |                       |                     |
| Refunding bonds issued   | 24,595,000           | 6,120,000              | 3,460,000           | -                     | 10,173,303          |
| Payment to refunded bond escrow agent                          | (25,117,336)         | (6,265,255)            | (3,774,764)         | -                     | (11,432,581)        |
| Issuance of long-term debt                                     | 22,230,000           | -                      | 6,905,000           | 5,680,000             | 8,020,000           |
| Premium on debt issuance                                       | 937,755              | 246,012                | 498,682             | 32,628                | 2,016,193           |
| Insurance recoveries   | -                    | -                      | -                   | -                     | 19,961              |
| Proceeds of capital lease                                      | 69,897               | -                      | -                   | -                     | -                   |
| Sale of capital assets   | 582,087              | 44,865                 | 160,495             | 303,307               | 153,127             |
| Transfers in   | 2,406,678            | 10,286,496             | 5,815,769           | 1,968,253             | 4,741,735           |
| Transfers (out)  | (1,833,960)          | (9,280,022)            | (8,384,227)         | (7,915,382)           | (4,192,497)         |
| Total other financing sources (uses)                           | 23,870,121           | 1,152,096              | 4,680,955           | 68,806                | 9,499,241           |
| <b>NET CHANGE IN FUND BALANCES</b>                             | <b>\$ 13,446,449</b> | <b>\$ (17,775,823)</b> | <b>\$ 6,706,012</b> | <b>\$ (2,091,561)</b> | <b>\$ 7,463,629</b> |
| <b>Debt service as a percentage of noncapital expenditures</b> | <b>14.1%</b>         | <b>14.9%</b>           | <b>13.9%</b>        | <b>14.0%</b>          | <b>13.6%</b>        |

Source: Comprehensive Annual Financial Reports

(continued on the following page)

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

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

Table 4

|  | 2013                | 2014                | 2015                 | 2016                 | 2017                 |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|
| <b>REVENUES:</b>   |                     |                     |                      |                      |                      |
| Taxes:   |                     |                     |                      |                      |                      |
| Property tax   | \$ 47,330,522       | \$ 48,872,016       | \$ 54,230,541        | \$ 58,802,856        | \$ 64,317,641        |
| Sales tax <sup>1</sup>   | 26,522,473          | 27,764,114          | 30,601,965           | 32,624,297           | 36,841,137           |
| Hotel occupancy tax  | 1,910,125           | 1,982,643           | 2,156,294            | 2,243,264            | 2,374,221            |
| Beverage tax   | 392,192             | 419,498             | 573,758              | 597,284              | 617,662              |
| Bingo tax  | 20,774              | 20,684              | 20,380               | 18,910               | 13,633               |
| Licenses and permits   | 1,446,580           | 1,978,421           | 2,782,395            | 3,106,162            | 3,016,697            |
| Franchise fees   | 19,901,459          | 21,001,427          | 21,996,031           | 22,659,014           | 24,211,081           |
| Fines and forfeitures  | 5,342,966           | 6,261,579           | 6,505,175            | 6,433,158            | 6,039,401            |
| Fees for services  | 8,683,278           | 10,187,195          | 9,391,260            | 10,927,305           | 10,395,166           |
| Investment revenue   | 354,089             | 563,236             | 759,334              | 1,019,594            | 1,330,008            |
| Intergovernmental  | 9,914,834           | 10,986,128          | 10,236,689           | 5,217,302            | 9,647,977            |
| Miscellaneous  | 1,322,762           | 2,648,160           | 1,387,127            | 1,347,258            | 2,382,708            |
| Total revenues   | 123,142,054         | 132,685,101         | 140,640,949          | 144,996,404          | 161,187,332          |
| <b>EXPENDITURES:</b>   |                     |                     |                      |                      |                      |
| General government   | 25,047,062          | 28,188,722          | 29,277,275           | 31,024,356           | 31,330,757           |
| Public safety  | 51,303,825          | 53,380,064          | 55,978,174           | 59,067,019           | 61,156,694           |
| Public works   | 9,425,446           | 9,979,997           | 12,439,131           | 11,604,966           | 15,871,804           |
| Parks and recreation   | 12,274,908          | 12,808,701          | 13,277,516           | 13,987,694           | 14,140,518           |
| Capital outlay   | 20,038,064          | 20,660,461          | 23,712,400           | 25,966,695           | 38,191,803           |
| Debt service:  |                     |                     |                      |                      |                      |
| Principal retirement   | 10,017,719          | 10,703,071          | 11,918,983           | 13,390,576           | 14,351,487           |
| Advance refunding escrow                                       | 110,145             | -                   | 120,519              | 147,687              | 103,950              |
| Bond issuance costs  | 181,308             | 86,800              | 181,409              | 154,948              | 171,252              |
| Interest and other charges                                     | 4,552,348           | 4,741,257           | 4,647,528            | 5,246,925            | 5,819,949            |
| Total expenditures   | 132,950,825         | 140,549,073         | 151,552,935          | 160,590,866          | 181,138,214          |
| Excess (deficiency) of revenues<br>over (under) expenditures   | (9,808,771)         | (7,863,972)         | (10,911,986)         | (15,594,462)         | (19,950,882)         |
| <b>OTHER FINANCING SOURCES (USES):</b>                         |                     |                     |                      |                      |                      |
| Refunding bonds issued   | 6,182,405           | 3,130,000           | 14,290,000           | 12,045,000           | 10,850,000           |
| Payment to refunded bond escrow agent                          | (6,547,180)         | (3,194,293)         | (15,604,758)         | (14,075,445)         | (11,358,665)         |
| Issuance of long-term debt                                     | 14,765,000          | 12,635,000          | 29,240,000           | 22,780,000           | 33,405,000           |
| Premium on debt issuance                                       | 1,232,674           | 635,037             | 3,214,914            | 4,317,817            | 3,077,360            |
| Insurance recoveries   | -                   | -                   | -                    | 30,624               | 86,992               |
| Proceeds of capital lease                                      | -                   | -                   | -                    | 150,155              | -                    |
| Sale of capital assets   | 148,417             | 85,059              | 715,685              | 530,054              | 236,068              |
| Transfers in   | 2,980,448           | 3,596,433           | 4,557,824            | 8,164,575            | 10,856,904           |
| Transfers (out)  | (3,063,936)         | (2,735,717)         | (3,071,594)          | (6,592,842)          | (9,987,828)          |
| Total other financing sources (uses)                           | 15,697,828          | 14,151,519          | 33,342,071           | 27,349,938           | 37,165,831           |
| <b>NET CHANGE IN FUND BALANCES</b>                             | <b>\$ 5,889,057</b> | <b>\$ 6,287,547</b> | <b>\$ 22,430,085</b> | <b>\$ 11,755,476</b> | <b>\$ 17,214,949</b> |
| <b>Debt service as a percentage of noncapital expenditures</b> | <b>12.9%</b>        | <b>12.9%</b>        | <b>13.0%</b>         | <b>13.8%</b>         | <b>14.1%</b>         |

Source: Comprehensive Annual Financial Reports

(concluded)

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

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

**Table 5**

| Fiscal<br>Year | Estimated Market Value |                      | Less:<br>Tax-Exempt<br>Property | Total Taxable<br>Assessed<br>Value <sup>1</sup> | Total Direct<br>Tax<br>Rate |
|----------------|------------------------|----------------------|---------------------------------|---|-----------------------------|
|                | Real<br>Property       | Personal<br>Property |                                 |   |                             |
| 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                     |
| 2017           | 9,784,179,133          | 1,429,040,012        | 2,040,968,652                   | 9,172,250,493                                   | 0.68334                     |

Source: Denton Central Appraisal District

<sup>1</sup>Total Taxable Assessed Value from 2013-2017 include the Downtown and West Park TIRZ's.





**CITY OF DENTON, TEXAS**  
**PROPERTY TAX RATES (PER \$100 OF ASSESSED VALUE)**  
**DIRECT AND OVERLAPPING<sup>1</sup> GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

**Table 6**

| Fiscal<br>Year | City of Denton    |                      |                      | Overlapping Rates |   |   |
|----------------|-------------------|----------------------|----------------------|-------------------|---|---|
|                | Operating<br>Rate | Debt Service<br>Rate | Total<br>Direct Rate | Denton<br>County  | School Districts                            |   |
|                |                   |                      |                      |                   | Denton<br>Independent<br>School<br>District | Argyle<br>Independent<br>School<br>District |
|                |                   |                      |                      |                   |   |   |
| 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                                    |
| 2017           | 0.46674           | 0.21660              | 0.68334              | 0.248409          | 1.54000                                     | 1.570050                                    |

(continued on the following page)

Source: Denton County Tax Office  
Denton County Central Appraisal District

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

**CITY OF DENTON, TEXAS**  
**PROPERTY TAX RATES (PER \$100 OF ASSESSED VALUE) (concluded)**  
**DIRECT AND OVERLAPPING<sup>1</sup> GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

**Table 6**

| Fiscal<br>Year | Overlapping Rates  |                    |                    |                    |                    | Total Direct<br>& Overlapping<br>Rates<br>(Range) |
|----------------|--------------------|--------------------|--------------------|--------------------|--------------------|---|
|                | School Districts   |                    |                    |                    |                    |   |
|                | Aubrey             | Krum               | Pilot Point        | Ponder             | Sanger             |   |
|                | Independent        | Independent        | Independent        | Independent        | Independent        |   |
|                | School<br>District | School<br>District | School<br>District | School<br>District | School<br>District |   |
| 2008           | \$ 1.398060        | \$ 1.365500        | \$ 1.300000        | \$ 1.228210        | \$ 1.340000        | 2.130620 - 2008.902410                            |
| 2009           | 1.485600           | 1.365500           | 1.390000           | 1.321220           | 1.370000           | 2.223510 - 2009.902290                            |
| 2010           | 1.540000           | 1.440000           | 1.370000           | 1.309028           | 1.360000           | 2.225348 - 2010.916320                            |
| 2011           | 1.540000           | 1.480000           | 1.370000           | 1.324890           | 1.360000           | 2.288540 - 2011.963650                            |
| 2012           | 1.540000           | 1.540000           | 1.370000           | 1.344610           | 1.372067           | 2.311717 - 2012.967107                            |
| 2013           | 1.540000           | 1.520000           | 1.370000           | 1.353292           | 1.372067           | 2.325909 - 2013.972617                            |
| 2014           | 1.510000           | 1.540000           | 1.370000           | 1.385000           | 1.372070           | 2.344664 - 2014.974664                            |
| 2015           | 1.510000           | 1.540000           | 1.370000           | 1.380800           | 1.372067           | 2.331950 - 2015.961950                            |
| 2016           | 1.510000           | 1.540000           | 1.370000           | 1.387500           | 1.372067           | 2.321750 - 2016.951750                            |
| 2017           | 1.510000           | 1.540000           | 1.370000           | 1.467840           | 1.372067           | 2.301749 - 2017.931749                            |

(concluded)

Source: Denton County Tax Office  
Denton County Central Appraisal District

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

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

Table 7

| 2017  |                        |   | 2008  |                        |   |
|---|------------------------|---|---|------------------------|---|
| Name of Taxpayer  | Taxable Assessed Value | Percentage of Total Taxable Assessed Value <sup>1</sup> | Name of Taxpayer  | Taxable Assessed Value | Percentage of Total Taxable Assessed Value <sup>2</sup> |
| Well Services Division of<br>STC (Schlumberger)                       | \$152,349,530          | 1.66%   | TTHR Limited<br>Partnership<br>(Presbyterian Hospital)                | \$100,780,067          | 1.65%   |
| PACCAR Inc. (Peterbilt)   | 101,024,543            | 1.10%   | Columbia Medical<br>Center of Denton<br>(Denton Regional<br>Hospital) | 80,454,725             | 1.32%   |
| Columbia Medical Center<br>of Denton (Denton<br>Regional Hospital)    | 86,120,882             | 0.94%   | Inland Western<br>Crossing  | 56,310,992             | 0.92%   |
| Inland Western Crossing<br>(Denton Crossing Shopping<br>Center)       | 52,782,340             | 0.58%   | United Copper   | 40,387,520             | 0.66%   |
| Cypress Denton Station<br>LTD (Forum at Denton<br>Station Apartments) | 52,416,833             | 0.57%   | Allegiance Hillview<br>LLP  | 36,391,205             | 0.60%   |
| Timber Links Apartments<br>LLC (The Timber Links)                     | 43,509,314             | 0.47%   | PACCAR Inc<br>(Peterbilt)   | 35,052,300             | 0.58%   |
| RR Marketplace LP<br>(Rayzor Ranch Town<br>Center)                    | 40,220,266             | 0.44%   | Anderson<br>Merchandisers   | 34,492,145             | 0.57%   |
| HRA University Courtyard<br>LLC (University<br>Courtyard Apartments)  | 34,935,824             | 0.38%   | Verizon Southwest   | 34,386,920             | 0.56%   |
| GMT Development LTD   | 30,446,286             | 0.33%   | FMP Denton  | 25,495,405             | 0.42%   |
| GTE Southwest, Inc.   | 29,347,570             | 0.32%   | Robson Denton Dev LP  | 24,562,198             | 0.40%   |
| Total   | \$ 623,153,388         | 6.79%   | Total   | \$ 468,313,477         | 7.69%   |

Source: Denton Central Appraisal District

<sup>1</sup>Total taxable assessed value for tax year 2016 (fiscal year 2017) is \$9,172,250,493.

<sup>2</sup>Total taxable assessed value for tax year 2007 (fiscal year 2008) is \$6,089,499,772



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

**Table 8**

| Fiscal<br>Year | Taxes Levied<br>Within the<br>Fiscal Year<br>of the Levy | Adjustments<br>to Levy in<br>Subsequent<br>Years | Adjusted<br>Taxes Levied<br>for the<br>Fiscal Year | Collected Within the<br>Fiscal Year of the Levy |                       | Collections<br>in Subsequent<br>Years |
|----------------|--|--|--|---|-----------------------|---------------------------------------|
|                |  |  |  | Amount  | Percentage<br>of Levy |                                       |
| 2008           | \$ 40,816,256  | \$ 44,742  | \$ 40,860,998                                      | \$ 40,354,528                                   | 98.76%                | \$ 460,097                            |
| 2009           | 43,086,123   | 56,862   | 43,142,985   | 42,423,707                                      | 98.33%                | 636,661                               |
| 2010           | 42,898,414   | 56,142   | 42,954,556   | 42,448,364                                      | 98.82%                | 429,151                               |
| 2011           | 43,890,121   | (2,755)  | 43,887,366   | 43,447,508                                      | 99.00%                | 378,294                               |
| 2012           | 44,856,277   | 21,898   | 44,878,175   | 44,461,501                                      | 99.07%                | 338,151                               |
| 2013           | 46,965,495   | 37,848   | 47,003,343   | 46,638,975                                      | 99.22%                | 266,302                               |
| 2014           | 48,398,900   | 56,664   | 48,455,564   | 48,083,910                                      | 99.23%                | 265,431                               |
| 2015           | 53,829,793   | (147,846)  | 53,681,947   | 53,503,029                                      | 99.67%                | 31,504                                |
| 2016           | 58,634,172   | (51,097)   | 58,583,075   | 58,280,013                                      | 99.48%                | 109,365                               |
| 2017           | 64,030,255   | -  | 64,030,255   | 63,702,954                                      | 99.49%                | -                                     |

(continued on the following page)

Source: Denton Central Appraisal District

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

**Table 8**

| <b>Fiscal<br/>Year</b> | <b>Total Collections to Date</b> |                               |
|------------------------|----------------------------------|-------------------------------|
|                        | <b>Amount</b>                    | <b>Percentage<br/>of Levy</b> |
| <b>2008</b>            | <b>\$ 40,814,625</b>             | <b>99.89%</b>                 |
| <b>2009</b>            | <b>43,060,368</b>                | <b>99.81%</b>                 |
| <b>2010</b>            | <b>42,877,515</b>                | <b>99.82%</b>                 |
| <b>2011</b>            | <b>43,825,802</b>                | <b>99.86%</b>                 |
| <b>2012</b>            | <b>44,799,652</b>                | <b>99.83%</b>                 |
| <b>2013</b>            | <b>46,905,277</b>                | <b>99.79%</b>                 |
| <b>2014</b>            | <b>48,349,341</b>                | <b>99.78%</b>                 |
| <b>2015</b>            | <b>53,534,533</b>                | <b>99.73%</b>                 |
| <b>2016</b>            | <b>58,389,378</b>                | <b>99.67%</b>                 |
| <b>2017</b>            | <b>63,702,954</b>                | <b>99.49%</b>                 |
|                        |                                  | <b>(concluded)</b>            |

**Source: Denton Central Appraisal District**

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

**Table 9**

| Fiscal<br>Year | Governmental Activities        |                                  |                        |                      | Business-Type Activities |                                |                                  |
|----------------|--------------------------------|----------------------------------|------------------------|----------------------|--------------------------|--------------------------------|----------------------------------|
|                | General<br>Obligation<br>Bonds | Certificates<br>of<br>Obligation | Premiums,<br>Discounts | Other<br>Obligations | Revenue<br>Bonds         | General<br>Obligation<br>Bonds | Certificates<br>of<br>Obligation |
| 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                      |
| 2017           | 118,267,663                    | 49,285,000                       | 10,994,176             | 498,062              | 214,890,000              | 127,677,337                    | 467,620,000                      |

(continued on the following page)

Source: Comprehensive Annual Financial Reports

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



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

**Table 9**

| Fiscal<br>Year | Business-Type Activities |                      | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income <sup>1</sup> | Per<br>Capita <sup>1</sup> |
|----------------|--------------------------|----------------------|--------------------------------|--|----------------------------|
|                | Premiums,<br>Discounts   | Other<br>Obligations |                                |  |                            |
| 2008           | \$ 6,265,197             | \$ 5,713,041         | \$ 451,374,704                 | 0.01866%   | \$ 4,141.81                |
| 2009           | 5,586,295                | 3,161,549            | 421,462,934                    | 0.01667%   | 3,791.50                   |
| 2010           | 14,799,674               | 1,824,177            | 518,930,906                    | 0.02103%   | 4,576.80                   |
| 2011           | 13,078,316               | 1,279,130            | 519,435,036                    | 0.01982%   | 4,535.88                   |
| 2012           | 17,869,148               | 713,408              | 535,144,350                    | 0.02150%   | 4,626.79                   |
| 2013           | 18,645,703               | 363,487              | 565,116,838                    | 0.02040%   | 4,813.72                   |
| 2014           | 23,263,019               | -                    | 629,845,954                    | 0.02145%   | 5,285.81                   |
| 2015           | 27,564,104               | -                    | 703,595,169                    | 0.02398%   | 5,817.48                   |
| 2016           | 38,514,641               | -                    | 751,095,666                    | 0.02545%   | 6,118.46                   |
| 2017           | 69,029,540               | -                    | 1,058,263,795                  | 0.03267%   | 8,466.92                   |

(concluded)

Source: Comprehensive Annual Financial Reports

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

<sup>1</sup>See Table 13 for personal income and population data.

**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 <sup>1</sup> | Per Capita <sup>2</sup> |
|-------------|---------------------------------|----------------------------|---------------------|--|--|----------------|---|-------------------------|
|             | General Obligation Bonds        | Certificates of Obligation | Premiums, Discounts | Less: Amounts Available in Debt Service Fund | Less: Amounts Payable from Business-Type Activity Debt | Total          |   |                         |
| 2008        | \$ 85,680,000                   | \$ 68,050,000              | \$ 1,758,493        | \$ 1,454,579                                 | \$ 17,931,189  | \$ 136,102,725 | 2.24%   | \$ 1,248.88             |
| 2009        | 81,725,000                      | 59,855,000                 | 1,779,105           | 1,947,553                                    | 15,730,895   | 125,680,657    | 2.00%   | 1,130.63                |
| 2010        | 116,915,000                     | 171,935,000                | 11,933,474          | 2,894,676                                    | 175,942,781  | 121,946,017    | 1.93%   | 1,075.52                |
| 2011        | 120,605,000                     | 193,590,000                | 10,580,069          | 2,839,556                                    | 206,867,327  | 115,068,186    | 1.85%   | 1,004.81                |
| 2012        | 139,315,000                     | 215,225,000                | 18,283,190          | 3,460,027                                    | 255,626,522  | 113,736,641    | 1.77%   | 983.35                  |
| 2013        | 136,690,000                     | 260,470,000                | 20,029,829          | 4,116,256                                    | 295,218,197  | 117,855,376    | 1.75%   | 1,003.90                |
| 2014        | 157,505,000                     | 332,210,000                | 25,434,647          | 4,261,848                                    | 391,670,429  | 119,217,370    | 1.71%   | 1,000.50                |
| 2015        | 203,605,000                     | 400,965,000                | 33,414,816          | 4,260,793                                    | 495,335,935  | 138,388,088    | 1.77%   | 1,144.22                |
| 2016        | 250,925,000                     | 451,030,000                | 47,765,420          | 4,314,370                                    | 596,043,467  | 149,362,583    | 1.76%   | 1,216.71                |
| 2017        | 245,945,000                     | 516,905,000                | 49,644,634          | 4,666,797                                    | 633,947,795  | 173,880,042    | 1.90%   | 1,391.17                |

Source: Comprehensive Annual Financial Reports

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

<sup>1</sup>See Table 5 for property value data.

<sup>2</sup>See Table 13 for population data.

**CITY OF DENTON, TEXAS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF SEPTEMBER 30, 2017**

**Table 11**

| <b>Governmental Unit</b>  | <b>Debt<br/>Outstanding</b> | <b>Estimated<br/>Percentage<br/>Applicable<sup>1</sup></b> | <b>Estimated<br/>Share of<br/>Overlapping<br/>Debt</b> |
|---|-----------------------------|--|--|
| <b>Debt repaid with property taxes:</b>   |                             |  |  |
| Denton Independent School District  | \$ 817,694,104              | 63.71%   | \$ 520,952,914   |
| Denton County   | 645,305,000                 | 12.48%   | 80,534,064   |
| Argyle Independent School District  | 127,941,246                 | 11.72%   | 14,994,714   |
| Aubrey Independent School District  | 46,610,891                  | 0.13%  | 60,594   |
| Krum Independent School District  | 40,496,569                  | 5.95%  | 2,409,546  |
| Pilot Point Independent School District   | 16,730,000                  | 0.15%  | 25,095   |
| Ponder Independent School District  | 19,715,000                  | 1.39%  | 274,039  |
| Sanger Independent School District  | 21,198,960                  | 0.53%  | 112,354  |
| <b>Subtotal, overlapping debt</b>   |                             |  | <b>619,363,320</b>                                     |
| <b>City of Denton, direct debt</b>  |                             | <b>100.00%</b>   | <b>179,044,901</b>                                     |
| <b>Total direct and overlapping debt</b>  |                             |  | <b>\$ 798,408,221</b>                                  |
| <b>Ratio of direct and overlapping funded debt to the City's taxable assessed valuation</b> |                             |  | <b>8.70%</b>   |
| <b>Per capita overlapping funded debt</b>   |                             |  | <b>\$ 6,388</b>  |

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.

<sup>1</sup>The 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

Table 12

| Utility System <sup>1</sup> Revenue Bonds |                   |                    |  |                    |   |   |
|---|-------------------|--------------------|--|--------------------|---|---|
| Fiscal Year                               | Operating Revenue | Investment Revenue | Less:<br>Fair Market Value Adjustment to Investment Revenue <sup>2</sup> | Impact Fee Revenue | Less:<br>Operating Expenses Before Depreciation | Add:<br>Franchise Fees and Return on Investment Paid to General Fund <sup>3</sup> |
| 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          | (43,392)   | 7,286,409          | 163,392,323                                     | 17,027,566  |
| 2017                                      | 239,310,663       | 3,150,469          | (737,238)  | 7,409,026          | 182,455,762                                     | 18,215,432  |

(continued on the following page)

Source: Comprehensive Annual Financial Reports

<sup>1</sup>The Utility System includes the Electric, Water, and Wastewater funds.

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

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

<sup>4</sup>Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016.

Starting in fiscal year 2017, revenue bond covenants require a times coverage of 1.00 or greater.

<sup>5</sup>Total times coverage provided to assess total bond debt related to the Utility System.

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

Table 12

| Utility System <sup>1</sup> Revenue Bonds |                       |                   |               |                             |  |            |                |                                   |
|---|-----------------------|-------------------|---------------|-----------------------------|--|------------|----------------|-----------------------------------|
| Fiscal Year                               | Net Available Revenue | Revenue Bond Debt |               |                             | Certificate of Obligation & General Obligation Bond Debt |            |                | Total Times Coverage <sup>5</sup> |
|   |                       | Principal         | Interest      | Times Coverage <sup>4</sup> | Principal  | Interest   | Times Coverage |                                   |
| 2008                                      | \$ 53,500,967         | \$ 14,840,000     | \$ 13,088,928 | 1.92                        | \$ -   | \$ -       | N/A            | 1.92                              |
| 2009                                      | 49,741,757            | 15,935,000        | 12,267,799    | 1.76                        | -  | -          | N/A            | 1.76                              |
| 2010                                      | 47,252,801            | 13,180,000        | 9,208,682     | 2.11                        | -  | -          | N/A            | 2.11                              |
| 2011                                      | 70,501,893            | 8,460,000         | 7,982,284     | 4.29                        | 4,610,000  | 7,315,189  | 5.91           | 2.49                              |
| 2012                                      | 69,168,280            | 12,630,000        | 7,028,800     | 3.52                        | 11,880,000   | 7,477,233  | 3.57           | 1.77                              |
| 2013                                      | 51,935,937            | 13,260,000        | 6,437,088     | 2.64                        | 9,940,000  | 9,115,348  | 2.73           | 1.34                              |
| 2014                                      | 54,695,742            | 11,570,000        | 4,902,319     | 3.32                        | 11,860,000   | 10,306,245 | 2.47           | 1.42                              |
| 2015                                      | 78,641,353            | 10,210,000        | 2,551,456     | 6.16                        | 15,535,000   | 14,115,713 | 2.65           | 1.85                              |
| 2016                                      | 91,823,865            | 10,210,000        | 2,551,456     | 7.20                        | 18,800,000   | 18,258,583 | 2.48           | 1.84                              |
| 2017                                      | 86,367,066            | -                 | 3,680,389     | 23.47                       | 25,495,000   | 21,419,293 | 1.84           | 1.71                              |

(concluded)

Source: Comprehensive Annual Financial Reports

<sup>1</sup>The Utility System includes the Electric, Water, and Wastewater funds.

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

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

<sup>4</sup>Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016. Starting in fiscal year 2017, revenue bond covenants require a times coverage of 1.00 or greater.

<sup>5</sup>Total times coverage provided to assess total bond debt related to the Utility System.

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

**Table 13**

| <b>Fiscal<br/>Year</b> | <b>Estimated<br/>Population<sup>1</sup></b> | <b>Personal<br/>Income</b> | <b>Per Capita<br/>Income<sup>2</sup></b> | <b>Median<br/>Age<sup>2</sup></b> | <b>Grade School<br/>Enrollment<sup>3</sup></b> | <b>University<br/>Enrollment<sup>4</sup></b> | <b>Unemployment<br/>Rate<sup>5</sup></b> |
|------------------------|---|----------------------------|--|-----------------------------------|--|--|--|
| 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%                                     |
| 2017                   | 124,988                                     | 3,239,064,020              | 25,915                                   | 28.5                              | 29,433   | 50,911                                       | 2.9%                                     |

**Sources:**

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

<sup>2</sup>United States Census and Denton Chamber of Commerce

<sup>3</sup>Denton Independent School District

<sup>4</sup>University of North Texas' and Texas Woman's University's Denton campus enrollment

<sup>5</sup>Texas Workforce Commission estimate

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

Table 14

| 2017                                  |           |                                     | 2008                               |           |                                     |
|---------------------------------------|-----------|-------------------------------------|------------------------------------|-----------|-------------------------------------|
| Name of Employer                      | Employees | Percentage of Total City Employment | Name of Employer                   | Employees | Percentage of Total City Employment |
| University of North Texas             | 8,738     | 12.25%                              | University of North Texas          | 7,351     | 12.14%                              |
| Denton Independent School District    | 4,417     | 6.19%                               | Denton Independent School District | 3,113     | 5.14%                               |
| Peterbilt Motors-Headquarters & Plant | 2,314     | 3.24%                               | Texas Woman's University           | 1,586     | 2.62%                               |
| Denton State Supported Living Center  | 1,700     | 2.38%                               | Denton County (in Denton)          | 1,523     | 2.51%                               |
| Texas Woman's University              | 1,672     | 2.34%                               | Peterbilt Motors                   | 1,500     | 2.48%                               |
| City of Denton                        | 1,630     | 2.29%                               | Denton State School                | 1,500     | 2.48%                               |
| Denton County (in Denton)             | 1,581     | 2.22%                               | City of Denton                     | 1,300     | 2.15%                               |
| Federal Emergency Management Agency   | 1,100     | 1.54%                               | Denton Regional Medical Center     | 800       | 1.32%                               |
| Texas Presbyterian Hospital           | 1,076     | 1.51%                               | Presbyterian Hospital of Denton    | 750       | 1.24%                               |
| Columbia Medical Center of Denton     | 950       | 1.33%                               | Jostens                            | 600       | 0.99%                               |
| Total                                 | 25,178    | 35.29%                              | Total                              | 20,023    | 33.06%                              |

Source: Office of Economic Development & Denton Chamber of Commerce

## CITY OF DENTON, TEXAS

Table 15

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

| Function / Program    | Full-time Equivalent Employees for Fiscal Year |                 |                 |                 |                 |
|-----------------------|--|-----------------|-----------------|-----------------|-----------------|
|                       | 2008   | 2009            | 2010            | 2011            | 2012            |
| General government    | 180.63   | 191.63          | 194.63          | 195.00          | 204.25          |
| Public safety         |  |                 |                 |                 |                 |
| Police                | 217.23   | 217.23          | 217.23          | 222.23          | 217.23          |
| Fire                  | 162.25   | 163.25          | 163.25          | 163.25          | 163.25          |
| Animal services       | 8.00   | 8.00            | 8.00            | 8.00            | 9.00            |
| Municipal Court/Judge | 16.75  | 16.75           | 17.50           | 18.50           | 19.50           |
| Public works          | 39.00  | 39.00           | 39.00           | 39.00           | 41.00           |
| Parks and recreation  | 144.15   | 144.15          | 143.08          | 142.58          | 141.08          |
| Electric system       | 120.50   | 125.00          | 129.50          | 129.50          | 131.50          |
| Water system          | 165.00   | 160.50          | 158.00          | 158.50          | 158.00          |
| Wastewater system     | 83.37  | 84.87           | 86.37           | 88.37           | 92.37           |
| Solid waste           | 88.00  | 93.50           | 93.50           | 98.50           | 105.50          |
| Airport               | -  | -               | -               | 5.00            | 5.50            |
| Materials management  | 12.50  | 13.50           | 13.50           | 13.50           | 12.00           |
| Fleet services        | 19.00  | 21.00           | 21.00           | 21.00           | 22.00           |
| Technology services   | 25.00  | 25.00           | 25.00           | 26.00           | 27.00           |
| Engineering           | -  | -               | -               | -               | -               |
| Risk Retention        | 5.00   | 5.00            | 5.00            | 5.00            | 6.00            |
| Total                 | <u>1,286.38</u>                                | <u>1,308.38</u> | <u>1,314.56</u> | <u>1,333.93</u> | <u>1,355.18</u> |

(continued on the following page)

Source: City of Denton Budget Office



## CITY OF DENTON, TEXAS

Table 15

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

| Function / Program    | Full-time Equivalent Employees for Fiscal Year |          |          |          |          |
|-----------------------|--|----------|----------|----------|----------|
|                       | 2013   | 2014     | 2015     | 2016     | 2017     |
| General government    | 210.25   | 210.25   | 218.75   | 229.75   | 224.75   |
| Public safety         |  |          |          |          |          |
| Police                | 219.23   | 225.23   | 228.23   | 230.23   | 249.73   |
| Fire                  | 167.75   | 167.75   | 168.25   | 177.25   | 184.25   |
| Animal services       | 11.00  | 11.00    | 13.00    | 13.00    | 14.00    |
| Municipal Court/Judge | 19.50  | 19.50    | 19.00    | 19.00    | 18.00    |
| Public works          | 44.00  | 46.00    | 49.50    | 54.50    | 61.00    |
| Parks and recreation  | 143.35   | 145.81   | 145.81   | 148.48   | 157.73   |
| Electric system       | 143.00   | 164.00   | 174.00   | 188.00   | 191.00   |
| Water system          | 154.00   | 133.50   | 140.50   | 144.50   | 151.50   |
| Wastewater system     | 97.25  | 100.75   | 108.75   | 111.25   | 111.25   |
| Solid waste           | 115.00   | 117.00   | 120.00   | 124.50   | 132.50   |
| Airport               | 6.50   | 6.50     | 7.50     | 7.50     | 6.50     |
| Materials management  | 13.00  | 15.00    | 15.00    | 16.00    | 17.00    |
| Fleet services        | 22.00  | 22.00    | 22.00    | 24.00    | 24.00    |
| Technology services   | 29.00  | 31.00    | 36.00    | 36.00    | 43.00    |
| Engineering           | -  | 31.00    | 34.00    | 34.00    | 35.00    |
| Risk Retention        | 6.00   | 6.00     | 8.00     | 8.00     | 9.00     |
| Total                 | 1,400.83                                       | 1,452.29 | 1,508.29 | 1,565.96 | 1,630.21 |

(concluded)

Source: City of Denton Budget Office

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

**Table 16**

| Function / Program  | Fiscal Year |           |           |           |           |
|---|-------------|-----------|-----------|-----------|-----------|
|   | 2008        | 2009      | 2010      | 2011      | 2012      |
| <b>Public Safety</b>                                      |             |           |           |           |           |
| <b>Police</b>   |             |           |           |           |           |
| Calls for service   | 80,117      | 83,557    | 83,746    | 84,899    | 81,104    |
| Traffic citations issued                                  | 31,610      | 36,598    | 33,990    | 29,162    | 28,327    |
| <b>Fire</b>   |             |           |           |           |           |
| Fire calls for service                                    | 3,703       | 3,391     | 3,199     | 3,423     | 3,316     |
| EMS calls for service                                     | 6,862       | 7,017     | 7,255     | 7,458     | 7,657     |
| Inspections (Businesses)                                  | 3,591       | 3,622     | 4,739     | 4,370     | 4,310     |
| <b>Animal Services</b>                                    |             |           |           |           |           |
| Animals sheltered   | 4,967       | 4,341     | 5,042     | 4,936     | 5,467     |
| Animals adopted, transferred, or returned                 | 2,119       | 2,193     | 3,264     | 3,730     | 4,332     |
| <b>Public Works</b>                                       |             |           |           |           |           |
| Street repaving (lane miles)                              | 41.28       | 17.43     | 10.27     | 8.33      | 15.43     |
| Pot holes repaired  | 6,841       | 11,593    | 20,988    | 10,535    | 10,807    |
| Cutouts base failures (square feet)                       | 75,877      | 126,691   | 169,396   | 146,925   | 102,879   |
| Crack seal maintenance (linear feet)                      | 40,288      | 55,894    | 53,712    | 116,556   | 117,780   |
| <b>Parks and Recreation</b>                               |             |           |           |           |           |
| <b>Attendance</b>   |             |           |           |           |           |
| Leisure Services  | 1,010,351   | 1,031,530 | 1,153,632 | 1,093,705 | 969,858   |
| Water Park  | 169,000     | 179,386   | 193,361   | 200,553   | 212,123   |
| Total Acres Maintained                                    | 2,633       | 2,633     | 2,633     | 2,570     | 2,405     |
| <b>Water</b>  |             |           |           |           |           |
| Number of customers                                       | 29,679      | 30,288    | 30,889    | 31,222    | 31,372    |
| Annual finished water production<br>(in thousand gallons) | 6,582,151   | 6,210,472 | 6,209,966 | 7,331,902 | 6,750,840 |
| <b>Wastewater</b>   |             |           |           |           |           |
| Number of customers                                       | 28,019      | 28,647    | 29,105    | 29,519    | 29,772    |
| Annual wastewater discharge<br>(in thousand gallons)      | 5,263,780   | 4,733,839 | 5,617,490 | 4,852,097 | 4,966,250 |
| <b>Solid Waste</b>  |             |           |           |           |           |
| Number of customers<br>(residential and commercial)       | 30,680      | 31,173    | 32,044    | 32,621    | 33,049    |
| MSW Landfilled (tons)                                     | 136,024     | 160,378   | 140,284   | 149,930   | 164,436   |
| Recycling collections (tons)                              | 24,248      | 44,540    | 50,246    | 73,912    | 86,887    |

(continued on the following page)

Source: Various city departments

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

**Table 16**

| Function / Program  | Fiscal Year |           |           |           |           |
|---|-------------|-----------|-----------|-----------|-----------|
|   | 2013        | 2014      | 2015      | 2016      | 2017      |
| <b>Public Safety</b>                                      |             |           |           |           |           |
| <b>Police</b>   |             |           |           |           |           |
| Calls for service   | 81,084      | 83,704    | 84,434    | 86,399    | 87,122    |
| Traffic citations issued                                  | 30,166      | 27,160    | 22,022    | 20,207    | 22,323    |
| <b>Fire</b>   |             |           |           |           |           |
| Fire calls for service                                    | 3,845       | 4,183     | 3,933     | 4,511     | 4,651     |
| EMS calls for service                                     | 7,717       | 7,977     | 8,079     | 8,943     | 9,687     |
| Inspections (Businesses)                                  | 4,366       | 4,830     | 4,066     | 4,361     | 3,988     |
| <b>Animal Services</b>                                    |             |           |           |           |           |
| Animals sheltered   | 5,420       | 5,072     | 4,876     | 5,032     | 4,944     |
| Animals adopted, transferred, or returned                 | 4,209       | 3,895     | 3,870     | 4,468     | 4,203     |
| <b>Public Works</b>                                       |             |           |           |           |           |
| Street repaving (lane miles)                              | 10.26       | 25.59     | 18.21     | 25.69     | 28.36     |
| Pot holes repaired  | 7,227       | 8,996     | 11,872    | 15,254    | 16,972    |
| Cutouts base failures (square feet)                       | 114,448     | 72,098    | 99,085    | 152,002   | 95,601    |
| Crack seal maintenance (linear feet)                      | 155,838     | 77,451    | 59,115    | 37,828    | 119,611   |
| <b>Parks and Recreation</b>                               |             |           |           |           |           |
| <b>Attendance</b>   |             |           |           |           |           |
| Leisure Services  | 909,395     | 1,060,988 | 967,132   | 1,007,102 | 1,082,246 |
| Water Park  | 215,605     | 209,406   | 218,232   | 224,893   | 232,527   |
| Total Acres Maintained                                    | 2,272       | 2,425     | 2,469     | 2,511     | 2,206     |
| <b>Water</b>  |             |           |           |           |           |
| Number of customers                                       | 31,837      | 32,405    | 33,465    | 34,198    | 34,714    |
| Annual finished water production<br>(in thousand gallons) | 6,827,186   | 6,155,724 | 6,355,608 | 6,301,333 | 6,368,582 |
| <b>Wastewater</b>   |             |           |           |           |           |
| Number of customers                                       | 30,103      | 30,562    | 31,243    | 32,077    | 32,618    |
| Annual wastewater discharge<br>(in thousand gallons)      | 4,943,270   | 4,926,080 | 5,834,100 | 6,111,680 | 5,175,571 |
| <b>Solid Waste</b>  |             |           |           |           |           |
| Number of customers<br>(residential and commercial)       | 34,003      | 36,593    | 37,540    | 39,806    | 41,219    |
| MSW Landfilled (tons)                                     | 176,076     | 203,928   | 227,859   | 251,305   | 268,000   |
| Recycling collections (tons)                              | 96,055      | 87,655    | 81,558    | 113,743   | 117,155   |

(concluded)

Source: Various city departments

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

**Table 17**

| Function / Program                          | Fiscal Year |           |           |           |           |
|---|-------------|-----------|-----------|-----------|-----------|
|   | 2008        | 2009      | 2010      | 2011      | 2012      |
| <b>Public safety</b>                        |             |           |           |           |           |
| <b>Police</b>                               |             |           |           |           |           |
| Police stations                             | 1           | 1         | 1         | 1         | 1         |
| Police patrol units                         | 147         | 149       | 149       | 143       | 139       |
| <b>Fire</b>                                 |             |           |           |           |           |
| Fire stations                               | 7           | 7         | 7         | 7         | 7         |
| Emergency vehicles                          | 24          | 26        | 30        | 30        | 30        |
| <b>Animal services</b>                      |             |           |           |           |           |
| Animals shelters                            | 1           | 1         | 1         | 1         | 1         |
| <b>Public works</b>                         |             |           |           |           |           |
| Lane miles added per year                   | 10.10       | 14.79     | 41.77     | 1.56      | 2.45      |
| Streetlights                                | 7,011       | 7,015     | 7,016     | 6,996     | 6,987     |
| <b>Parks and recreation</b>                 |             |           |           |           |           |
| Parks                                       | 34          | 34        | 34        | 34        | 34        |
| Parks and open spaces acreage               | 1,292       | 1,438     | 1,341     | 1,332     | 1,431     |
| Recreation centers                          | 12          | 12        | 12        | 12        | 12        |
| <b>Water</b>                                |             |           |           |           |           |
| Water mains (miles)                         | 533         | 550       | 558       | 560       | 565       |
| Raw water (in thousand gallons)             | 6,694,734   | 6,471,258 | 6,416,086 | 7,572,149 | 7,013,351 |
| <b>Wastewater</b>                           |             |           |           |           |           |
| Wastewater mains (miles)                    | 481         | 488       | 495       | 496       | 501       |
| Maximum daily capacity (in million gallons) | 21          | 25        | 25        | 25        | 25        |
| <b>Solid waste</b>                          |             |           |           |           |           |
| Landfills                                   | 1           | 1         | 1         | 1         | 1         |

(continued on the following page)

Source: Various city departments

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

**Table 17**

| Function / Program                          | Fiscal Year |           |           |           |           |
|---|-------------|-----------|-----------|-----------|-----------|
|   | 2013        | 2014      | 2015      | 2016      | 2017      |
| <b>Public safety</b>                        |             |           |           |           |           |
| <b>Police</b>                               |             |           |           |           |           |
| Police stations                             | 1           | 1         | 1         | 1         | 1         |
| Police patrol units                         | 137         | 138       | 137       | 141       | 147       |
| <b>Fire</b>                                 |             |           |           |           |           |
| Fire stations                               | 7           | 7         | 7         | 7         | 7         |
| Emergency vehicles                          | 31          | 31        | 32        | 36        | 36        |
| <b>Animal services</b>                      |             |           |           |           |           |
| Animals shelters                            | 1           | 1         | 1         | 1         | 1         |
| <b>Public works</b>                         |             |           |           |           |           |
| Lane miles added per year                   | 12.00       | 12.20     | 5.83      | 8.11      | 22.45     |
| Streetlights                                | 7,020       | 7,067     | 7,164     | 7,233     | 7,414     |
| <b>Parks and recreation</b>                 |             |           |           |           |           |
| Parks                                       | 34          | 34        | 34        | 34        | 34        |
| Parks and open spaces acreage               | 1,461       | 1,783     | 1,783     | 2,284     | 2,284     |
| Recreation centers                          | 12          | 12        | 12        | 12        | 12        |
| <b>Water</b>                                |             |           |           |           |           |
| Water mains (miles)                         | 572         | 592       | 604       | 618       | 626       |
| Raw water (in thousand gallons)             | 6,776,717   | 6,195,624 | 6,493,457 | 6,182,450 | 6,232,032 |
| <b>Wastewater</b>                           |             |           |           |           |           |
| Wastewater mains (miles)                    | 509         | 513       | 516       | 521       | 526       |
| Maximum daily capacity (in million gallons) | 25          | 25        | 25        | 25        | 25        |
| <b>Solid waste</b>                          |             |           |           |           |           |
| Landfills                                   | 1           | 1         | 1         | 1         | 1         |

(concluded)

Source: Various city departments



CITY OF DENTON, TEXAS  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXXIII

|                         | Budgeted Amounts |              | Actual on a  | Variance with  |
|-------------------------|------------------|--------------|--------------|----------------|
|                         | Original         | Final        | Budgetary    | Final Budget - |
|                         |                  |              | Basis        | Positive       |
|                         |                  |              |              | (Negative)     |
| <b>EXPENDITURES:</b>    |                  |              |              |                |
| Personal Service        | \$ 2,497,223     | \$ 2,497,223 | \$ 2,190,438 | \$ 306,785     |
| Materials and Supplies  | 39,900           | 29,900       | 76,097       | (46,197)       |
| Maintenance and Repairs | 30,100           | 30,100       | 32,365       | (2,265)        |
| Insurance               | 19,236           | 19,236       | 6,321        | 12,915         |
| Miscellaneous           | 51,775           | 50,175       | 42,500       | 7,675          |
| Operations, Services    | 156,656          | 166,656      | 180,550      | (13,894)       |
| Transfers - Interfund   | 132,907          | 132,907      | 132,907      | -              |
| City Manager's Office   | 2,927,797        | 2,926,197    | 2,661,178    | 265,019        |
| Personal Service        | 283,236          | 283,236      | 265,122      | 18,114         |
| Materials and Supplies  | 1,000            | 1,000        | 4,532        | (3,532)        |
| Maintenance and Repairs | 1,350            | 1,350        | -            | 1,350          |
| Insurance               | 3,416            | 3,416        | 1,122        | 2,294          |
| Miscellaneous           | 500              | 500          | 956          | (456)          |
| Operations, Services    | 16,401           | 16,401       | 4,865        | 11,536         |
| Transfers - Interfund   | 25,208           | 25,208       | 25,208       | -              |
| Cable Television        | 331,111          | 331,111      | 301,805      | 29,306         |
| Personal Service        | -                | 67,917       | 103,486      | (35,569)       |
| Materials and Supplies  | -                | 3,120        | 4,993        | (1,873)        |
| Operations, Services    | 175,000          | 103,963      | 29,060       | 74,903         |
| Internal Audit          | 175,000          | 175,000      | 137,539      | 37,461         |
| Personal Service        | 302,188          | 302,188      | 306,407      | (4,219)        |
| Materials and Supplies  | 27,160           | 27,160       | 14,951       | 12,209         |
| Insurance               | 3,055            | 3,055        | 1,004        | 2,051          |
| Operations, Services    | 122,401          | 122,401      | 117,607      | 4,794          |
| Transfers - Interfund   | 17,410           | 17,410       | 17,410       | -              |
| Public Communications   | 472,214          | 472,214      | 457,379      | 14,835         |
| Personal Service        | 1,128,495        | 1,128,495    | 1,117,319    | 11,176         |
| Materials and Supplies  | 31,150           | 31,150       | 22,263       | 8,887          |
| Maintenance and Repairs | 500              | 500          | 312          | 188            |
| Insurance               | 16,275           | 16,275       | 5,348        | 10,927         |
| Miscellaneous           | 60,873           | 60,873       | 45,098       | 15,775         |
| Operations, Services    | 384,762          | 371,896      | 293,006      | 78,890         |
| Transfers - Interfund   | 84,530           | 97,396       | 97,396       | -              |
| Human Resources         | 1,706,585        | 1,706,585    | 1,580,742    | 125,843        |
| Personal Service        | 1,946,325        | 1,946,325    | 1,796,679    | 149,646        |
| Materials and Supplies  | 56,903           | 56,903       | 54,266       | 2,637          |
| Insurance               | 12,844           | 12,844       | 4,221        | 8,623          |
| Operations, Services    | 202,615          | 202,615      | 176,976      | 25,639         |
| Transfers - Interfund   | 83,451           | 83,451       | 83,451       | -              |
| Legal Administration    | \$ 2,302,138     | \$ 2,302,138 | \$ 2,115,593 | \$ 186,545     |

(continued on the following page)

CITY OF DENTON, TEXAS  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXXIII

|                              | Budgeted Amounts    |                     | Actual on a         | Variance with     |
|------------------------------|---------------------|---------------------|---------------------|-------------------|
|                              | Original            | Final               | Budgetary           | Final Budget -    |
|                              |                     |                     | Basis               | Positive          |
|                              |                     |                     |                     | (Negative)        |
| <b>EXPENDITURES:</b>         |                     |                     |                     |                   |
| Personal Service             | \$ 375,883          | \$ 375,883          | \$ 327,350          | \$ 48,533         |
| Materials and Supplies       | 4,943               | 4,943               | 2,721               | 2,222             |
| Insurance                    | 4,001               | 4,001               | 1,315               | 2,686             |
| Operations, Services         | 7,083               | 7,083               | 6,333               | 750               |
| Transfers - Interfund        | 44,158              | 44,158              | 44,158              | -                 |
| <b>Municipal Judge</b>       | <b>436,068</b>      | <b>436,068</b>      | <b>381,877</b>      | <b>54,191</b>     |
| Personal Service             | 2,245,902           | 2,006,650           | 1,789,500           | 217,150           |
| Materials and Supplies       | 54,553              | 54,553              | 77,465              | (22,912)          |
| Insurance                    | 22,265              | 22,265              | 7,317               | 14,948            |
| Miscellaneous                | 43,181              | 40,865              | 8,265               | 32,600            |
| Operations, Services         | 148,600             | 570,681             | 560,369             | 10,312            |
| Transfers - Interfund        | 326,068             | 653,512             | 625,320             | 28,192            |
| <b>Planning</b>              | <b>2,840,569</b>    | <b>3,348,526</b>    | <b>3,068,236</b>    | <b>280,290</b>    |
| Personal Service             | 2,479,404           | 2,479,404           | 2,284,385           | 195,019           |
| Materials and Supplies       | 61,804              | 49,007              | 58,345              | (9,338)           |
| Maintenance and Repairs      | 8,434               | 672                 | 622                 | 50                |
| Insurance                    | 36,219              | 36,219              | 11,902              | 24,317            |
| Miscellaneous                | -                   | -                   | 28                  | (28)              |
| Operations, Services         | 80,610              | 78,212              | 174,913             | (96,701)          |
| Transfers - Interfund        | 328,297             | 328,297             | 328,297             | -                 |
| <b>Building Inspections</b>  | <b>2,994,768</b>    | <b>2,971,811</b>    | <b>2,858,492</b>    | <b>113,319</b>    |
| Personal Service             | 200,885             | 200,885             | 197,274             | 3,611             |
| Materials and Supplies       | 240,845             | 238,672             | 149,480             | 89,192            |
| Maintenance and Repairs      | 3,000               | 3,000               | 2,609               | 391               |
| Insurance                    | 1,800               | 1,800               | 592                 | 1,208             |
| Operations, Services         | 4,040               | 6,213               | 55,316              | (49,103)          |
| Transfers - Interfund        | 19,750              | 19,750              | 19,750              | -                 |
| <b>Reprographics</b>         | <b>470,320</b>      | <b>470,320</b>      | <b>425,021</b>      | <b>45,299</b>     |
| Personal Service             | 355,305             | 355,305             | 138,836             | 216,469           |
| Materials and Supplies       | 2,950               | 2,950               | 628                 | 2,322             |
| Insurance                    | 3,588               | 3,588               | 1,180               | 2,408             |
| Miscellaneous                | 250                 | 250                 | -                   | 250               |
| Operations, Services         | 14,577              | 14,577              | 2,341               | 12,236            |
| Transfers - Interfund        | 25,719              | 25,719              | 25,719              | -                 |
| <b>Gas Well Review</b>       | <b>402,389</b>      | <b>402,389</b>      | <b>168,704</b>      | <b>233,685</b>    |
| Personal Service             | 1,130,120           | 1,130,120           | 1,041,551           | 88,569            |
| Materials and Supplies       | 48,100              | 48,100              | 39,949              | 8,151             |
| Insurance                    | 82,495              | 82,495              | 27,110              | 55,385            |
| Miscellaneous                | 300                 | 300                 | -                   | 300               |
| Operations, Services         | 485,485             | 485,485             | 410,276             | 75,209            |
| Transfers - Interfund        | 110,604             | 110,604             | 110,604             | -                 |
| <b>Community Improvement</b> | <b>\$ 1,857,104</b> | <b>\$ 1,857,104</b> | <b>\$ 1,629,490</b> | <b>\$ 227,614</b> |

(continued on the following page)



CITY OF DENTON, TEXAS  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXXIII

|                               | Budgeted Amounts    |                     | Actual on a         | Variance with     |
|-------------------------------|---------------------|---------------------|---------------------|-------------------|
|                               | Original            | Final               | Budgetary           | Final Budget -    |
|                               |                     |                     | Basis               | Positive          |
|                               |                     |                     |                     | (Negative)        |
| <b>EXPENDITURES:</b>          |                     |                     |                     |                   |
| Personal Service              | \$ 1,139,096        | \$ 1,139,096        | \$ 1,105,850        | \$ 33,246         |
| Materials and Supplies        | 43,900              | 43,900              | 35,468              | 8,432             |
| Insurance                     | 15,664              | 15,664              | 5,148               | 10,516            |
| Miscellaneous                 | 5,300               | 5,300               | 1,147               | 4,153             |
| Operations, Services          | 64,875              | 64,875              | 26,102              | 38,773            |
| Transfers - Interfund         | 116,768             | 116,768             | 116,768             | -                 |
| <b>Municipal Court</b>        | <b>1,385,603</b>    | <b>1,385,603</b>    | <b>1,290,483</b>    | <b>95,120</b>     |
| Personal Service              | 2,569,493           | 2,569,493           | 2,531,541           | 37,952            |
| Materials and Supplies        | 84,003              | 84,003              | 60,220              | 23,783            |
| Maintenance and Repairs       | 675                 | 675                 | 1,567               | (892)             |
| Insurance                     | 21,974              | 21,974              | 7,222               | 14,752            |
| Miscellaneous                 | 1,415               | 1,415               | 1,415               | -                 |
| Operations, Services          | 53,640              | 53,640              | 59,871              | (6,231)           |
| Transfers - Interfund         | 149,860             | 149,860             | 149,860             | -                 |
| <b>Finance</b>                | <b>2,881,060</b>    | <b>2,881,060</b>    | <b>2,811,696</b>    | <b>69,364</b>     |
| Personal Service              | 703,036             | 638,036             | 625,099             | 12,937            |
| Materials and Supplies        | 38,868              | 38,868              | 29,260              | 9,608             |
| Insurance                     | 6,205               | 6,205               | 2,039               | 4,166             |
| Miscellaneous                 | 189,947             | 254,947             | 318,714             | (63,767)          |
| Operations, Services          | 2,562,049           | 2,562,049           | 2,864,174           | (302,125)         |
| Transfers - Interfund         | 37,498              | 37,498              | 37,498              | -                 |
| <b>Economic Development</b>   | <b>3,537,603</b>    | <b>3,537,603</b>    | <b>3,876,784</b>    | <b>(339,181)</b>  |
| Personal Service              | 8,201,710           | 8,183,375           | 7,538,384           | 644,991           |
| Materials and Supplies        | 869,438             | 872,938             | 707,444             | 165,494           |
| Maintenance and Repairs       | 864,025             | 848,337             | 747,694             | 100,643           |
| Insurance                     | 164,021             | 164,021             | 53,902              | 110,119           |
| Miscellaneous                 | -                   | -                   | 982                 | (982)             |
| Operations, Services          | 2,346,447           | 2,222,591           | 2,207,109           | 15,482            |
| Transfers - Interfund         | 708,528             | 1,237,907           | 1,207,222           | 30,685            |
| Fixed Assets                  | -                   | -                   | 14,194              | (14,194)          |
| <b>Parks &amp; Recreation</b> | <b>13,154,169</b>   | <b>13,529,169</b>   | <b>12,476,931</b>   | <b>1,052,238</b>  |
| Personal Service              | 1,496,774           | 1,496,774           | 1,496,730           | 44                |
| Materials and Supplies        | 43,175              | 43,175              | 48,566              | (5,391)           |
| Maintenance and Repairs       | 1,013,246           | 904,272             | 878,577             | 25,695            |
| Insurance                     | 21,627              | 21,627              | 7,107               | 14,520            |
| Miscellaneous                 | 1,100               | 1,100               | 2,179               | (1,079)           |
| Operations, Services          | 1,296,334           | 1,154,334           | 1,133,458           | 20,876            |
| Transfers - Interfund         | 154,131             | 405,105             | 405,104             | 1                 |
| Fixed Assets                  | -                   | -                   | 39,598              | (39,598)          |
| <b>Facilities Management</b>  | <b>4,026,387</b>    | <b>4,026,387</b>    | <b>4,011,319</b>    | <b>15,068</b>     |
| Personal Service              | 3,667,405           | 3,667,405           | 3,558,796           | 108,609           |
| Materials and Supplies        | 155,003             | 154,877             | 144,655             | 10,222            |
| Maintenance and Repairs       | 66,526              | 65,626              | 63,462              | 2,164             |
| Insurance                     | 70,706              | 70,706              | 23,236              | 47,470            |
| Operations, Services          | 454,576             | 455,055             | 434,209             | 20,846            |
| Transfers - Interfund         | 1,031,055           | 1,031,055           | 1,031,055           | -                 |
| Fixed Assets                  | 455,000             | 455,547             | 455,505             | 42                |
| <b>Library</b>                | <b>\$ 5,900,271</b> | <b>\$ 5,900,271</b> | <b>\$ 5,710,918</b> | <b>\$ 189,353</b> |

(continued on the following page)

CITY OF DENTON, TEXAS  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXXIII

|                           | Budgeted Amounts |               | Actual on a   | Variance with  |
|---------------------------|------------------|---------------|---------------|----------------|
|                           | Original         | Final         | Budgetary     | Final Budget - |
|                           |                  |               | Basis         | Positive       |
|                           |                  |               |               | (Negative)     |
| <b>EXPENDITURES:</b>      |                  |               |               |                |
| Personal Service          | \$ 279,245       | \$ 279,245    | \$ 287,529    | \$ (8,284)     |
| Materials and Supplies    | 13,900           | 14,500        | 4,891         | 9,609          |
| Maintenance and Repairs   | 300              | 300           | -             | 300            |
| Insurance                 | 1,927            | 1,927         | 634           | 1,293          |
| Miscellaneous             | 4,900            | 3,763         | 3,489         | 274            |
| Operations, Services      | 180,497          | 181,034       | 171,793       | 9,241          |
| Transfers - Interfund     | 10,517           | 10,517        | 10,517        | -              |
| Transportation Operations | 491,286          | 491,286       | 478,853       | 12,433         |
| Personal Service          | 960,332          | 960,332       | 827,144       | 133,188        |
| Materials and Supplies    | 15,000           | 15,000        | 17,350        | (2,350)        |
| Maintenance and Repairs   | 645,327          | 645,327       | 636,640       | 8,687          |
| Insurance                 | 13,803           | 13,803        | 4,536         | 9,267          |
| Miscellaneous             | 2,200            | 2,200         | 1,954         | 246            |
| Operations, Services      | 150,854          | 150,854       | 135,011       | 15,843         |
| Transfers - Interfund     | 297,447          | 297,447       | 298,107       | (660)          |
| Fixed Assets              | -                | -             | 10,690        | (10,690)       |
| Traffic Operations        | 2,084,963        | 2,084,963     | 1,931,432     | 153,531        |
| Materials and Supplies    | -                | -             | 14,169        | (14,169)       |
| Operations, Services      | 735,000          | 735,000       | 773,272       | (38,272)       |
| Street Lighting           | 735,000          | 735,000       | 787,441       | (52,441)       |
| Personal Service          | 25,964,030       | 25,964,030    | 25,387,755    | 576,275        |
| Materials and Supplies    | 302,339          | 303,139       | 339,099       | (35,960)       |
| Maintenance and Repairs   | 186,650          | 186,650       | 191,608       | (4,958)        |
| Insurance                 | 301,604          | 301,604       | 99,116        | 202,488        |
| Miscellaneous             | 105,862          | 105,862       | 105,755       | 107            |
| Operations, Services      | 845,506          | 832,506       | 966,672       | (134,166)      |
| Transfers - Interfund     | 2,150,120        | 2,163,120     | 2,163,120     | -              |
| Police                    | 29,856,111       | 29,856,911    | 29,253,125    | 603,786        |
| Personal Service          | 907,734          | 907,734       | 815,617       | 92,117         |
| Materials and Supplies    | 51,134           | 51,134        | 46,550        | 4,584          |
| Maintenance and Repairs   | 20,900           | 20,900        | 19,522        | 1,378          |
| Insurance                 | 19,239           | 19,239        | 6,323         | 12,916         |
| Operations, Services      | 408,036          | 408,036       | 427,231       | (19,195)       |
| Transfers - Interfund     | 92,733           | 92,733        | 92,733        | -              |
| Animal Services           | 1,499,776        | 1,499,776     | 1,407,976     | 91,800         |
| Personal Service          | 23,721,567       | 23,721,567    | 23,018,428    | 703,139        |
| Materials and Supplies    | 589,403          | 521,184       | 479,273       | 41,911         |
| Maintenance and Repairs   | 276,000          | 276,800       | 254,912       | 21,888         |
| Insurance                 | 232,931          | 232,931       | 76,547        | 156,384        |
| Miscellaneous             | 77,485           | 136,565       | 75,383        | 61,182         |
| Operations, Services      | 1,175,638        | 1,196,638     | 1,232,159     | (35,521)       |
| Transfers - Interfund     | 1,159,028        | 1,295,407     | 1,295,407     | 0              |
| Fixed Assets              | 162,508          | 94,348        | 60,601        | 33,747         |
| Fire                      | \$ 27,394,560    | \$ 27,475,440 | \$ 26,492,710 | \$ 982,730     |

(continued on the following page)

CITY OF DENTON, TEXAS  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (concluded)  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit XXXIII

|                           | Budgeted Amounts      |                       | Actual on a           | Variance with       |
|---------------------------|-----------------------|-----------------------|-----------------------|---------------------|
|                           | Original              | Final                 | Budgetary             | Final Budget -      |
|                           |                       |                       | Basis                 | Positive            |
|                           |                       |                       |                       | (Negative)          |
| <b>EXPENDITURES:</b>      |                       |                       |                       |                     |
| Personal Service          | \$ 278,230            | \$ 278,230            | \$ 280,271            | \$ (2,041)          |
| Materials and Supplies    | 1,750                 | 1,750                 | 1,750                 | -                   |
| Insurance                 | 2,424                 | 2,424                 | 797                   | 1,627               |
| Miscellaneous             | 280,000               | 280,000               | 254,496               | 25,504              |
| Operations, Services      | 3,789                 | 3,789                 | 3,485                 | 304                 |
| Transfers - Interfund     | 26,265                | 26,265                | 26,265                | -                   |
| Agency Contributions      | 592,458               | 592,458               | 567,064               | 25,394              |
| Personal Service          | (679,976)             | (813,556)             | 31,751                | (845,307)           |
| Materials and Supplies    | 40,000                | 40,000                | 40,081                | (81)                |
| Maintenance and Repairs   | 3,200                 | 3,200                 | 19,033                | (15,833)            |
| Miscellaneous             | 224,250               | 245,250               | 211,274               | 33,976              |
| Operations, Services      | 2,158,125             | 1,705,625             | 1,657,974             | 47,651              |
| Transfers - Interfund     | 2,233,021             | 6,438,194             | 6,320,403             | 117,791             |
| Miscellaneous/Finance     | 3,978,620             | 7,618,713             | 8,280,516             | (661,803)           |
| Personal Service          | 82,153,642            | 81,765,392            | 79,063,242            | 2,702,150           |
| Materials and Supplies    | 2,817,221             | 2,731,926             | 2,474,466             | 257,460             |
| Maintenance and Repairs   | 3,120,233             | 2,987,709             | 2,848,923             | 138,786             |
| Insurance                 | 1,077,319             | 1,077,319             | 354,039               | 723,280             |
| Miscellaneous             | 1,049,338             | 1,189,365             | 1,073,635             | 115,730             |
| Operations, Services      | 14,233,596            | 13,872,209            | 14,104,132            | (231,923)           |
| Transfers - Interfund     | 9,365,073             | 14,840,288            | 14,664,279            | 176,009             |
| Fixed Assets              | 617,508               | 549,895               | 580,588               | (30,693)            |
| <b>TOTAL GENERAL FUND</b> | <b>\$ 114,433,930</b> | <b>\$ 119,014,103</b> | <b>\$ 115,163,304</b> | <b>\$ 3,850,799</b> |
|                           |                       |                       |                       | (concluded)         |

