

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	2016			2015		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 523,725	\$ 4,455,061	\$ 4,978,786	\$ 471,515	\$ 4,251,178	\$ 4,722,693
Grants and contributions	140,542	-	140,542	56,029	-	56,029
General revenues:						
Property taxes	5,123,388	-	5,123,388	4,973,068	-	4,973,068
Sales taxes	1,428,294	-	1,428,294	1,774,826	-	1,774,826
Franchise and local taxes	816,409	-	816,409	824,956	-	824,956
Investment income	52,876	11,529	64,405	56,722	12,335	69,057
Other revenues	122,032	34,907	156,939	237,491	13,623	251,114
Total Revenues	8,207,266	4,501,497	12,708,763	8,394,607	4,277,136	12,671,743
Expenses						
General government	1,550,223	-	1,550,223	1,289,299	-	1,289,299
Public safety	2,792,742	-	2,792,742	2,269,519	-	2,269,519
Public works	1,437,126	-	1,437,126	1,296,200	-	1,296,200
Culture and recreation	522,139	-	522,139	768,841	-	768,841
Community enhancement	860,409	-	860,409	534,658	-	534,658
Interest and fees on debt	708,990	-	708,990	808,002	-	808,002
Water and sewer	-	3,625,937	3,625,937	-	3,388,885	3,388,885
Refuse	-	932,668	932,668	-	868,535	868,535
Total Expenses	7,871,629	4,558,605	12,430,234	6,966,519	4,257,420	11,223,939
Change in Net Position Before Transfers	335,637	(57,108)	278,529	1,428,088	19,716	1,447,804
Transfers	693,928	(693,928)	-	(227,672)	227,672	-
Change in Net Position	1,029,565	(751,036)	278,529	1,200,416	247,388	1,447,804
Beginning net position	13,986,439	13,108,893	27,095,332	12,786,023	12,861,505	25,647,528
Ending Net Position	\$ 15,016,004	\$ 12,357,857	\$ 27,373,861	\$ 13,986,439	\$ 13,108,893	\$ 27,095,332

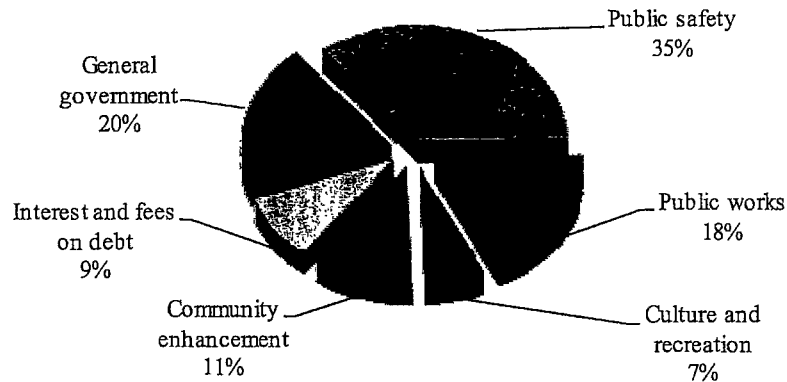
CITY OF DAYTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

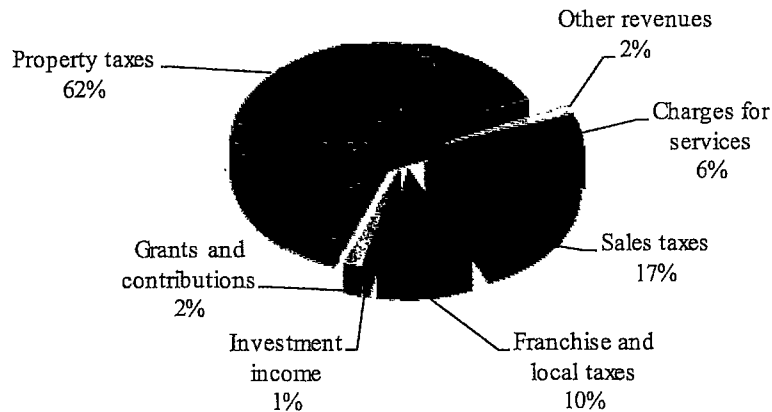
For the Year Ended September 30, 2016

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

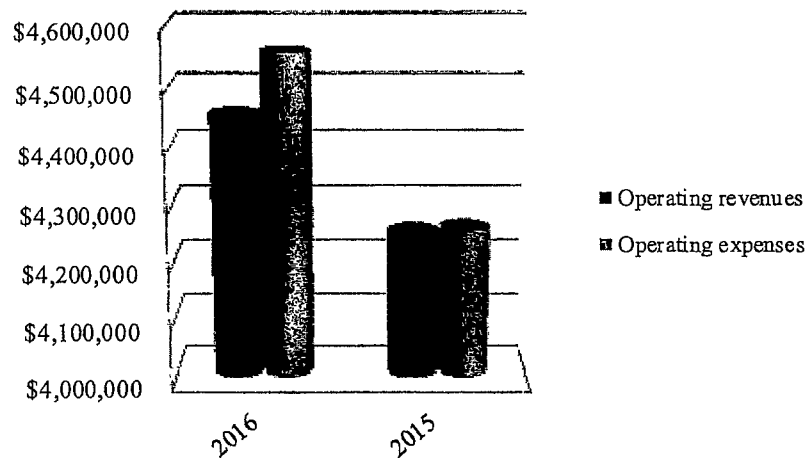
Governmental Activities - Expenses



Governmental Activities - Revenues



Business-Type Activities - Revenues and Expenses



CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

For the year ended September 30, 2016, revenues from governmental activities totaled \$8,207,266. Compared to the prior year, governmental revenues decreased by \$187,341. This decrease was largely due to a decrease in sales tax revenues, which was the result of a decrease in consumer spending within the City, and a decrease in other revenues related to prior year insurance proceeds. This decrease was partially offset by an increase in property tax revenues from an increase in the assessed values of properties within the City and an increase in grants and contributions related to a public safety grant.

For the year ended September 30, 2016, expenses from governmental activities totaled \$7,871,629, which was an increase of \$905,110 compared to the prior year. This increase is primarily due to an increase in personnel-related costs, pension expense, interest expense, and noncapital projects.

For the year ended September 30, 2016, charges for services related to business-type activities totaled \$4,455,061. This is an increase of \$203,883 or 4.8 percent from the previous year due to an increase in total customers and gallons consumed. Business-type expenses totaled \$4,558,605, which is an increase of \$301,185 from the prior year. This increase is largely due to an increase in personnel costs, pension expense, and bond issuance costs related to the current refunding that took place during the fiscal year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the end of the year, the City's governmental funds reflect a combined fund balance of \$13,370,382. Of this, \$98,181 is nonspendable for prepaid items, \$6,344,697 is restricted for various purposes, and \$1,232 is assigned for various special projects. Unassigned fund balance totaled \$6,926,272 as of year end. There was a combined decrease in governmental fund balances of \$2,853,273 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$6,926,272, while total fund balance reached \$7,123,392. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 102 percent of total general fund expenditures, while total fund balance represents 105 percent of the total expenditures.

Compared to the prior year, revenues decreased \$165,135. This decrease was due to a decrease in sales tax revenues related to a decrease in consumer spending and various insurance reimbursements received in the prior year. The decrease in revenues was partially offset by an increase in property tax revenues from an increase in the assessed values of properties within the City and grant proceeds from a public safety grant. Expenditures increased \$899,367 compared to the prior year. This increase is primarily due to an increase in personnel costs and capital projects/purchases.

The debt service fund has a total fund balance of \$1,739,750, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$68,306. This increase can be attributed to a transfer in from the water and sewer fund.

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

The capital project fund has a total fund balance of \$4,375,818, all of which is restricted for capital projects. The net decrease in fund balance during the fiscal year was \$2,607,478 due to the construction of a public safety facilities building.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been a planned decrease in budgeted fund balance in the amount of \$104,766 in the general fund. The net change in the general fund balance was a decrease of \$181,052. Actual general fund revenues were less than the amended budgeted revenues by \$360,436 during 2016 due to negative budget variances in property taxes and sales tax revenues. Actual expenditures were lower than total budgeted amounts by \$284,150. Positive expenditure budget variances were recognized by all departments. The positive budget variances were due to several factors including the City's practice of budgeting personnel costs conservatively high and various capital projects/purchases that were either delayed or postponed.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$36,785,846 in a variety of capital assets and infrastructure, net of accumulated depreciation. This represents a net decrease of \$1,641,100.

Major capital asset events during the year include the following:

- Public safety facility building for \$2,503,422
- Parker Park basketball/tennis court and renovations for \$160,741
- Sawmill Park bathrooms for \$134,405
- 2016 FM 1960 12" Water Line Extension project for \$144,202
- Volvo track hoe excavator for \$135,000

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total general obligation bonds, certificates of obligation, tax anticipation notes, and capital leases outstanding of \$25,307,957. Of this amount, \$11,025,000 was general obligation debt, certificates of obligation accounted for \$13,740,000, \$355,000 for tax anticipation notes, and capital leases totaled \$187,957.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For fiscal year 2017, the City approved a \$12,686,086 revenue budget and a \$17,485,552 expense/expenditure budget. General fund revenues were budgeted at \$5,672,100 while expenditures were budgeted at \$6,474,190. The water and sewer fund revenues were budgeted at \$3,494,100 while the expenses were budgeted at \$2,864,570. The property tax rate will remain unchanged at \$0.6800. Property tax revenues were budgeted at \$4,459,000 for fiscal year 2017.

Sales tax is the second largest revenue source in the general fund, making up 23 percent of the City's general fund budgeted revenue. With the current volatility in oil prices and its direct impact on one or more local industries that pay sales tax, the City conservatively budgeted sales tax at 13 percent below the fiscal year 2016 budgeted numbers.

The City's financial stability remains strong and City management and Council are in constant review of the City's fund balance to ensure that there are sufficient funds always on hand to cover any unplanned events. Currently, the general fund maintains 12 months' worth of expenses in reserve for such eventualities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Rudy Zepeda, Director of Finance, City of Dayton, 117 Cook Street, Dayton, Texas 77535.

BASIC FINANCIAL STATEMENTS

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CITY OF DAYTON, TEXAS

STATEMENT OF NET POSITION

September 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	DCDC
Assets				
Cash and cash equivalents	\$ 7,627,942	\$ 2,398,053	\$ 10,025,995	\$ 1,164,543
Investments	6,250,000	1,004,602	7,254,602	1,747,111
Receivables, net	1,058,342	426,945	1,485,287	122,273
Internal balances	39,599	(39,599)	-	-
Due from component unit	10,050	-	10,050	-
Inventories	-	91,827	91,827	-
Prepaid items	98,181	-	98,181	-
Restricted assets:				
Cash and cash equivalents	-	112,504	112,504	-
Capital assets:				
Nondepreciable	3,963,438	251,610	4,215,048	-
Net depreciable capital assets	16,215,714	16,355,084	32,570,798	-
Total Assets	35,263,266	20,601,026	55,864,292	3,033,927
Deferred Outflows of Resources				
Deferred charge on refunding	1,582	-	1,582	-
Deferred outflows - pensions (TMRS)	551,578	135,368	686,946	31,428
Deferred outflows - pensions (TESRS)	35,337	-	35,337	-
Total Deferred Outflows of Resources	588,497	135,368	723,865	31,428
Liabilities				
Accounts payable and accrued liabilities	1,058,191	339,390	1,397,581	1,190
Due to primary government	-	-	-	10,050
Customer deposits	-	112,504	112,504	-
Accrued interest payable	116,045	70,110	186,155	-
Unearned revenue - other	-	6,796	6,796	-
Noncurrent liabilities:				
Due within one year	1,419,785	246,487	1,666,272	-
Due in more than one year	18,234,153	7,601,381	25,835,534	39,500
Total Liabilities	20,828,174	8,376,668	29,204,842	50,740
Deferred Inflows of Resources				
Deferred inflows - pensions (TMRS)	7,184	1,869	9,053	358
Deferred inflows - pensions (TESRS)	401	-	401	-
Total Deferred Inflows of Resources	7,585	1,869	9,454	358
Net Position				
Net investment in capital assets	6,558,718	8,972,226	15,530,944	-
Restricted for:				
Debt service	1,739,750	-	1,739,750	-
Capital projects	4,380,054	-	4,380,054	-
Enabling legislation	224,893	-	224,893	-
Economic development	-	-	-	3,014,257
Unrestricted	2,112,589	3,385,631	5,498,220	-
Total Net Position	\$ 15,016,004	\$ 12,357,857	\$ 27,373,861	\$ 3,014,257

See Notes to Financial Statements.

CITY OF DAYTON, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 1,550,223	\$ -	\$ -
Public safety	2,792,742	429,698	5,091
Public works	1,437,126	94,027	135,451
Culture and recreation	522,139	-	-
Community enhancement	860,409	-	-
Interest and fees on debt	708,990	-	-
Total Governmental Activities	<u>7,871,629</u>	<u>523,725</u>	<u>140,542</u>
Business-Type Activities			
Water and sewer	3,625,937	3,363,188	-
Refuse	932,668	1,091,873	-
Total Business-Type Activities	<u>4,558,605</u>	<u>4,455,061</u>	<u>-</u>
Total Primary Government	<u>\$ 12,430,234</u>	<u>\$ 4,978,786</u>	<u>\$ 140,542</u>
Component Unit			
Dayton Community Development Corporation	<u>\$ 501,203</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes
 Property taxes
 Sales taxes
 Franchise and local taxes
 Investment income
 Other revenues
 Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	DCDC
\$ (1,550,223)	\$ -	\$ (1,550,223)	\$ -
(2,357,953)	-	(2,357,953)	-
(1,207,648)	-	(1,207,648)	-
(522,139)	-	(522,139)	-
(860,409)	-	(860,409)	-
(708,990)	-	(708,990)	-
<u>(7,207,362)</u>	<u>-</u>	<u>(7,207,362)</u>	<u>-</u>
-	(262,749)	(262,749)	-
-	159,205	159,205	-
-	(103,544)	(103,544)	-
<u>(7,207,362)</u>	<u>(103,544)</u>	<u>(7,310,906)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (501,203)</u>
\$ 5,123,388	\$ -	\$ 5,123,388	\$ -
1,428,294	-	1,428,294	714,147
816,409	-	816,409	-
52,876	11,529	64,405	3,500
122,032	34,907	156,939	-
693,928	(693,928)	-	-
<u>8,236,927</u>	<u>(647,492)</u>	<u>7,589,435</u>	<u>717,647</u>
1,029,565	(751,036)	278,529	216,444
13,986,439	13,108,893	27,095,332	2,797,813
<u>\$ 15,016,004</u>	<u>\$ 12,357,857</u>	<u>\$ 27,373,861</u>	<u>\$ 3,014,257</u>

CITY OF DAYTON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2016

	General	Debt Service	Capital Projects	Nonmajor Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 3,189,326	\$ 1,732,522	\$ 2,580,608	\$ 121,897
Investments	3,750,000	-	2,500,000	-
Receivables, net	822,648	207,681	-	27,025
Due from component unit	10,050	-	-	-
Due from other funds	39,599	7,228	-	-
Prepaid items	98,181	-	-	-
Total Assets	\$ 7,909,804	\$ 1,947,431	\$ 5,080,608	\$ 148,922
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 332,647	\$ -	\$ 704,790	\$ 17,500
Due to other funds	7,228	-	-	-
Total Liabilities	339,875	-	704,790	17,500
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	446,537	207,681	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	98,181	-	-	-
Restricted:				
Debt service	-	1,739,750	-	-
Municipal court	30,821	-	-	-
Public safety	4,236	-	4,375,818	-
PEG fees	62,650	-	-	-
Tourism	-	-	-	131,422
Assigned:				
Special projects	1,232	-	-	-
Unassigned	6,926,272	-	-	-
Total Fund Balances	7,123,392	1,739,750	4,375,818	131,422
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,909,804	\$ 1,947,431	\$ 5,080,608	\$ 148,922

See Notes to Financial Statements.

Total Governmental Funds	
\$	7,624,353
	6,250,000
	1,057,354
	10,050
	46,827
	98,181
\$	<u>15,086,765</u>

\$	1,054,937
	<u>7,228</u>
	<u>1,062,165</u>

	<u>654,218</u>
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	98,181
	1,739,750
	30,821
	4,380,054
	62,650
	131,422
	1,232
	<u>6,926,272</u>
	<u>13,370,382</u>
\$	<u>15,086,765</u>

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CITY OF DAYTON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2016

Total fund balances – total governmental funds \$ 13,370,382

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - nondepreciable	3,963,438	
Capital assets - net depreciable	16,215,714	
	20,179,152	

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		654,218
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An internal service fund is used by management to charge the costs of employee benefits to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		1,323
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Some deferred outflows, deferred inflows, and liabilities, including bonds payable and net pension liability, are not reported as liabilities in the governmental funds.

Accrued interest payable	(116,045)	
Noncurrent liabilities due in one year	(1,419,785)	
Noncurrent liabilities due in more than one year	(18,234,153)	
Deferred outflows - pensions	586,915	
Deferred inflows - pensions	(7,585)	
Deferred charge on refunding	1,582	
	(19,189,071)	
Net Position of Governmental Activities		\$ 15,016,004

See Notes to Financial Statements.

CITY OF DAYTON, TEXAS

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

For the Year Ended September 30, 2016

	General	Debt Service	Capital Project	Nonmajor Funds
<u>Revenues</u>				
Property tax	\$ 3,393,480	\$ 1,719,257	\$ -	\$ -
Sales tax	1,428,294	-	-	-
Franchise and local taxes	393,616	-	-	100,217
Licenses and permits	94,027	-	-	-
Intergovernmental	117,951	-	-	17,500
Fines and forfeitures	321,633	-	-	-
Charges for services	108,065	-	-	-
Investment income	28,002	6,681	17,482	605
Contributions and donations	9,205	-	-	-
Payments in lieu of taxes	322,576	-	-	-
Other revenue	112,827	-	-	-
Total Revenues	<u>6,329,676</u>	<u>1,725,938</u>	<u>17,482</u>	<u>118,322</u>
<u>Expenditures</u>				
Current:				
General government	1,653,271	-	-	-
Public safety	2,581,842	-	2,624,960	-
Public works	1,381,066	-	-	-
Culture and recreation	549,252	-	-	-
Community enhancement	201,043	-	-	104,284
Community center	365,995	-	-	-
Tourism promotion	-	-	-	147,087
Debt service:				
Principal	32,519	1,315,000	-	-
Interest and fiscal charges	10,740	771,560	-	-
Total Expenditures	<u>6,775,728</u>	<u>2,086,560</u>	<u>2,624,960</u>	<u>251,371</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(446,052)</u>	<u>(360,622)</u>	<u>(2,607,478)</u>	<u>(133,049)</u>
<u>Other Financing Sources</u>				
Transfers in	265,000	428,928	-	-
Total Other Financing Sources	<u>265,000</u>	<u>428,928</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(181,052)	68,306	(2,607,478)	(133,049)
Beginning fund balances	7,304,444	1,671,444	6,983,296	264,471
Ending Fund Balances	<u>\$ 7,123,392</u>	<u>\$ 1,739,750</u>	<u>\$ 4,375,818</u>	<u>\$ 131,422</u>

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	5,112,737
	1,428,294
	493,833
	94,027
	135,451
	321,633
	108,065
	52,770
	9,205
	322,576
	112,827
	<hr/> 8,191,418 <hr/>

	1,653,271
	5,206,802
	1,381,066
	549,252
	305,327
	365,995
	147,087
	1,347,519
	782,300
	<hr/> 11,738,619 <hr/>

(3,547,201)

	693,928
	<hr/> 693,928 <hr/>

(2,853,273)

	16,223,655
\$	<hr/> 13,370,382 <hr/>

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CITY OF DAYTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

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

Net changes in fund balances - total governmental funds	\$ (2,853,273)
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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.

Capital outlay	3,411,320
Depreciation expense	(880,517)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	10,651
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An internal service fund is used by management to charge the costs of employee benefits to individual funds. The net revenue (expense) is reported with governmental activities.	(882)
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. The net pension liability and deferred outflows and deferred inflows related to the net pension liability are not reported in the governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Accrued interest	55,172
Principal expenditures	1,347,519
Deferred charges	18,138
Net pension liability	(509,701)
Deferred outflows - pensions	421,026
Deferred inflows - pensions	4,312
Compensated absences	5,800

Change in Net Position of Governmental Activities	\$ 1,029,565
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See Notes to Financial Statements.

CITY OF DAYTON, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2016

	Water and Sewer	Refuse	Total Proprietary Funds	Governmental Activities Internal Service
<u>Assets</u>				
Current Assets				
Cash and cash equivalents	\$ 1,386,262	\$ 1,011,791	\$ 2,398,053	\$ 3,589
Investments	1,004,602	-	1,004,602	-
Restricted assets - customer deposits	112,504	-	112,504	-
Receivables, net	316,691	110,254	426,945	988
Due from other funds	-	969	969	-
Inventories	91,827	-	91,827	-
Total Current Assets	<u>2,911,886</u>	<u>1,123,014</u>	<u>4,034,900</u>	<u>4,577</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable	225,425	26,185	251,610	-
Net depreciable capital assets	16,227,435	127,649	16,355,084	-
Total Noncurrent Assets	<u>16,452,860</u>	<u>153,834</u>	<u>16,606,694</u>	<u>-</u>
Total Assets	<u>19,364,746</u>	<u>1,276,848</u>	<u>20,641,594</u>	<u>4,577</u>
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pensions	122,264	13,104	135,368	-
<u>Liabilities</u>				
Current Liabilities				
Accounts payable and accrued liabilities	256,473	82,917	339,390	3,254
Due to other funds	40,568	-	40,568	-
Customer deposits	112,504	-	112,504	-
Accrued interest payable	70,110	-	70,110	-
Unearned revenue	6,796	-	6,796	-
Current portion of compensated absences	4,865	-	4,865	-
Current portion of bonds payable, net	241,622	-	241,622	-
Total Current Liabilities	<u>732,938</u>	<u>82,917</u>	<u>815,855</u>	<u>3,254</u>
Noncurrent Liabilities				
Compensated absences	1,683	-	1,683	-
Bonds payable, net	7,392,846	-	7,392,846	-
Net pension liability	190,233	16,619	206,852	-
Total Liabilities	<u>8,317,700</u>	<u>99,536</u>	<u>8,417,236</u>	<u>3,254</u>
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	1,710	159	1,869	-
<u>Net Position</u>				
Net investment in capital assets	8,818,392	153,834	8,972,226	-
Unrestricted	2,349,208	1,036,423	3,385,631	1,323
Total Net Position	<u>\$ 11,167,600</u>	<u>\$ 1,190,257</u>	<u>\$ 12,357,857</u>	<u>\$ 1,323</u>

See Notes to Financial Statements.

CITY OF DAYTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2016

	Water and Sewer	Refuse	Total Proprietary Funds	Governmental Activities Internal Service
<u>Operating Revenues</u>				
Water and sewer charges	\$ 3,363,188	\$ -	\$ 3,363,188	\$ -
Sanitation	-	1,091,873	1,091,873	-
Other services	32,468	2,439	34,907	933,496
Total Operating Revenues	<u>3,395,656</u>	<u>1,094,312</u>	<u>4,489,968</u>	<u>933,496</u>
<u>Operating Expenses</u>				
Personnel services	911,594	90,146	1,001,740	934,484
Services	212,450	807,757	1,020,207	-
Supplies	127,485	11,406	138,891	-
Utilities	328,426	3,517	331,943	-
Repairs and maintenance	244,277	5,557	249,834	-
Depreciation	1,367,940	14,285	1,382,225	-
Miscellaneous	32,315	-	32,315	-
Total Operating Expenses	<u>3,224,487</u>	<u>932,668</u>	<u>4,157,155</u>	<u>934,484</u>
Operating Income (Loss)	<u>171,169</u>	<u>161,644</u>	<u>332,813</u>	<u>(988)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Investment income	7,575	3,954	11,529	106
Interest and fiscal agent charges	(401,450)	-	(401,450)	-
Total Nonoperating Revenues (Expenses)	<u>(393,875)</u>	<u>3,954</u>	<u>(389,921)</u>	<u>106</u>
Income (Loss) Before Transfers	(222,706)	165,598	(57,108)	(882)
<u>Transfers</u>				
Transfers (out)	(428,928)	(265,000)	(693,928)	-
Total Transfers	<u>(428,928)</u>	<u>(265,000)</u>	<u>(693,928)</u>	<u>-</u>
Change in Net Position	(651,634)	(99,402)	(751,036)	(882)
Beginning net position	11,819,234	1,289,659	13,108,893	2,205
Ending Net Position	<u>\$ 11,167,600</u>	<u>\$ 1,190,257</u>	<u>\$ 12,357,857</u>	<u>\$ 1,323</u>

See Notes to Financial Statements.

CITY OF DAYTON, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2016

	Water and Sewer	Refuse	Total Proprietary Funds	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>				
Receipts from customers	\$ 3,435,979	\$ 1,113,758	\$ 4,549,737	\$ -
Receipts from interfund charges	-	-	-	934,483
Payments to suppliers	(802,667)	(759,238)	(1,561,905)	(934,287)
Payments to employees	(893,071)	(86,472)	(979,543)	-
Net Cash Provided by Operating Activities	<u>1,740,241</u>	<u>268,048</u>	<u>2,008,289</u>	<u>196</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfer to other funds	(428,928)	(265,000)	(693,928)	-
Net Cash (Used) by Noncapital Financing Activities	<u>(428,928)</u>	<u>(265,000)</u>	<u>(693,928)</u>	<u>-</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital purchases	(357,522)	(135,000)	(492,522)	-
Principal paid on capital debt	(130,000)	-	(130,000)	-
Interest paid on capital debt	(326,982)	-	(326,982)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(814,504)</u>	<u>(135,000)</u>	<u>(949,504)</u>	<u>-</u>
<u>Cash Flows from Investing Activities</u>				
Purchase of investments	(2,917)	-	(2,917)	-
Interest on investments	7,575	3,954	11,529	106
Net Cash Provided by Investing Activities	<u>4,658</u>	<u>3,954</u>	<u>8,612</u>	<u>106</u>
Net Increase (Decrease) in Cash and Cash Equivalents	501,467	(127,998)	373,469	302
Beginning cash and cash equivalents	<u>997,299</u>	<u>1,139,789</u>	<u>2,137,088</u>	<u>3,287</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,498,766</u></u>	<u><u>\$ 1,011,791</u></u>	<u><u>\$ 2,510,557</u></u>	<u><u>\$ 3,589</u></u>
<u>Ending Cash and Cash Equivalents</u>				
Unrestricted cash and cash equivalents	\$ 1,386,262	\$ 1,011,791	\$ 2,398,053	\$ 3,589
Restricted cash and cash equivalents	112,504	-	112,504	-
Ending Cash and Cash Equivalents	<u><u>\$ 1,498,766</u></u>	<u><u>\$ 1,011,791</u></u>	<u><u>\$ 2,510,557</u></u>	<u><u>\$ 3,589</u></u>

CITY OF DAYTON, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2016

	Water and Sewer	Refuse	Total Proprietary Funds	Governmental Activities Internal Service
<u>Reconciliation of Operating Income</u>				
<u>to Net Cash Provided by Operating Activities</u>				
Operating income	\$ 171,169	\$ 161,644	\$ 332,813	\$ (988)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,367,940	14,285	1,382,225	-
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Deferred outflows - pensions	(82,888)	(13,104)	(95,992)	-
Accounts receivable	(38,338)	20,282	(18,056)	987
Intergovernmental receivables	-	(836)	(836)	-
Increase (Decrease) in:				
Accounts payable and accrued liabilities	142,286	68,999	211,285	197
Due to other funds	34,026	-	34,026	-
Net pension liability	103,764	16,619	120,383	-
Deferred inflows - pensions	(1,068)	159	(909)	-
Customer deposits	21,734	-	21,734	-
Compensated absences	(1,285)	-	(1,285)	-
Accrued interest payable	24,377	-	24,377	-
Unearned revenue	(1,476)	-	(1,476)	-
Net Cash Provided by Operating Activities	\$ 1,740,241	\$ 268,048	\$ 2,008,289	\$ 196

See Notes to Financial Statements.

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CITY OF DAYTON, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dayton, Texas (the "City") is a Home Rule City. The City operates under a "Mayor-Council" form of government and provides services authorized by its charter. Presently, these services include: public safety (police, fire, and EMS), public works (street and park maintenance), culture and recreation, community enhancement, and general administrative services.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Dayton Community Development Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Dayton Community Development Corporation

In May 1996, the City formed the Dayton Community Development Corporation (the "Corporation"), which was created by voters approving an additional sales tax. The mission of the Corporation is to promote economic development within the City and surrounding areas. The Board is composed of seven directors (voting members) and four advisory directors (non-voting), each of whom is appointed by the City Council. The City Council may remove a Board member from office at any time without cause. Not more than three members of the Board may be a member of City Council or any other officer or employee of the City. The Corporation has been included in the reporting entity as a discretely presented component unit. The City has the ability to impose its will on the Corporation because it approves the Corporation's budget and the City is legally entitled to,

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

and has, complete access to the Corporation's economic resources. As a discretely presented component unit, the Corporation is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the City. The Corporation is funded by the levy of one-half of one percent sales and use tax. The Corporation has a September 30 year end. Financial statements for the Corporation may be obtained by contacting Rudy Zepeda, Director of Finance, City of Dayton, 117 Cook Street, Dayton, Texas 77535.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, and community enhancement. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects. The hotel and motel tax and community development block grant special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects funds* are used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and the operations that provide garbage services to the public. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer fund and refuse fund are considered major funds for reporting purposes.

Additionally, the City reports the following fund type:

Internal service funds account for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The employee benefit fund is used to account for insurance provided to City employees.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

1. Cash and Cash Equivalents

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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of supplies for infrastructure repairs and maintenance. The cost of such inventories is recorded as expenditure/expenses when consumed rather than when purchased.

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government 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 estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 7 years
Furniture and equipment	5 to 7 years
Water and sewer system	30 to 40 years
Buildings and improvements	50 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not*

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

be recognized as an outflow of resources (expense/expenditure) until then. The City has six items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made. Another deferred charge has been recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. A deferred charge has been recognized for the change in actuarial assumptions. This amount is deferred and amortized over the average of the expected service lives of pension plan members. Another deferred charge has been recognized as a result of differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions. This amount is deferred and amortized over the average of the expected service lives of pension plan members. Lastly, a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price has been recognized. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized as a result of differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. Another deferral has been recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Estimates

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

12. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's fiduciary net position have been determined on the same basis as they are reported by TMRS and TESRS. 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 DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during September of each year, are due upon receipt of the City's tax bill, and become delinquent on January 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget as defined by the charter is the department level in the general fund and all others are the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year ended September 30, 2016.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	<u>\$ 7,255,808</u>	0.38
Portfolio weighted average maturity		0.38

As of September 30, 2016, the Corporation had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	<u>\$ 1,745,241</u>	0.51
Portfolio weighted average maturity		0.51

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective fair value of at least 103 percent. As of September 30, 2016, the fair values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

B. Receivables

The following comprise receivable balances at year end for governmental and enterprise funds:

	General	Debt Service	Nonmajor Governmental	Component Unit
Property tax	\$ 446,537	\$ 207,681	\$ -	\$ -
Sales tax	364,737	-	-	122,273
Other tax	10,082	-	-	-
Other	1,292	-	27,025	-
	<u>\$ 822,648</u>	<u>\$ 207,681</u>	<u>\$ 27,025</u>	<u>\$ 122,273</u>
	Water and Sewer	Refuse	Internal Service	
Accounts	\$ 354,580	\$ 124,056	\$ 988	
Other	1,089	-	-	
Less allowance	(38,978)	(13,802)	-	
	<u>\$ 316,691</u>	<u>\$ 110,254</u>	<u>\$ 988</u>	

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end is as follows:

	Beginning Balance	Increases	(Decreases)/ (Reclasses)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,384,811	\$ -	\$ -	\$ 1,384,811
Construction in progress	20,747	2,557,880	-	2,578,627
Total capital assets, not being depreciated	<u>1,405,558</u>	<u>2,557,880</u>	<u>-</u>	<u>3,963,438</u>
Other capital assets:				
Infrastructure	4,338,898	211,259	-	4,550,157
Buildings and improvements	13,731,291	295,146	-	14,026,437
Machinery and equipment	4,580,653	347,035	-	4,927,688
Total other capital assets	<u>22,650,842</u>	<u>853,440</u>	<u>-</u>	<u>23,504,282</u>
Less accumulated depreciation for:				
Infrastructure	(899,086)	(196,049)	-	(1,095,135)
Buildings and improvements	(2,283,882)	(317,647)	-	(2,601,529)
Machinery and equipment	(3,225,083)	(366,821)	-	(3,591,904)
Total accumulated depreciation	<u>(6,408,051)</u>	<u>(880,517)</u>	<u>-</u>	<u>(7,288,568)</u>
Other capital assets, net	<u>16,242,791</u>	<u>(27,077)</u>	<u>-</u>	<u>16,215,714</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,648,349</u>	<u>\$ 2,530,803</u>	<u>\$ -</u>	<u>20,179,152</u>
		Less debt associated with capital assets		(18,702,624)
		Plus unspent bond proceeds		5,080,608
		Plus deferred charge on refunding		1,582
		Net Investment in Capital Assets		<u>\$ 6,558,718</u>

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Depreciation was charged to governmental functions as follows:

General government	\$ 53,959
Public safety	173,851
Public works	307,877
Culture and recreation	265,914
Community enhancement	78,916
Total Governmental Activities Depreciation Expense	<u>\$ 880,517</u>

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ (Reclasses)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 107,408	\$ -	\$ -	\$ 107,408
Construction in progress	-	144,202	-	144,202
Total capital assets not being depreciated	<u>107,408</u>	<u>144,202</u>	<u>-</u>	<u>251,610</u>
Other capital assets:				
Building and improvements	3,086,121	-	-	3,086,121
Machinery and equipment	1,657,557	186,047	-	1,843,604
Water and sewer system	27,862,414	162,273	-	28,024,687
Total other capital assets	<u>32,606,092</u>	<u>348,320</u>	<u>-</u>	<u>32,954,412</u>
Less accumulated depreciation for:				
Building and improvements	(270,657)	(146,603)	-	(417,260)
Machinery and equipment	(1,127,433)	(114,804)	-	(1,242,237)
Water and sewer system	(13,819,013)	(1,120,818)	-	(14,939,831)
Total accumulated depreciation	<u>(15,217,103)</u>	<u>(1,382,225)</u>	<u>-</u>	<u>(16,599,328)</u>
Other capital assets, net	<u>17,388,989</u>	<u>(1,033,905)</u>	<u>-</u>	<u>16,355,084</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,496,397</u>	<u>\$ (889,703)</u>	<u>\$ -</u>	<u>16,606,694</u>
			Less associated debt	(7,634,468)
			Net Investment in Capital Assets	<u>\$ 8,972,226</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,367,940
Refuse	14,285
Total Business-Type Activities Depreciation Expense	<u>\$ 1,382,225</u>

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

D. Long-Term Debt

The following is a summary of changes in the City's long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds	\$ 12,095,000	\$ -	\$ 1,070,000	\$ 11,025,000 *	\$ 1,050,000
Tax anticipation notes	470,000	-	115,000	355,000 *	115,000
Certificates of obligation	6,990,000	-	130,000	6,860,000 *	180,000
Total bonds, notes, and and other payables	<u>19,555,000</u>	<u>-</u>	<u>1,315,000</u>	<u>18,240,000</u>	<u>1,345,000</u>
Plus deferred amounts:					
Issuance premiums	293,596	-	18,929	274,667 *	18,728
Capital leases	220,476	-	32,519	187,957 *	34,103
Other liabilities:					
Net pension liability (TMRS)	357,369	481,396	-	838,765	-
Net pension liability (TESRS)	54,697	28,305	-	83,002	-
Compensated absences	35,347	24,393	30,193	29,547	21,954
Total Governmental Activities	<u>\$ 20,516,485</u>	<u>\$ 534,094</u>	<u>\$ 1,396,641</u>	<u>\$ 19,653,938</u>	<u>\$ 1,419,785</u>

Long-term liabilities due in more than one year \$ 18,234,153

*Debt associated with governmental activity capital assets \$ 18,702,624

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
General obligation bonds	\$ -	\$ 6,880,000	\$ -	\$ 6,880,000 **	\$ -
Certificates of obligation	7,690,000	-	7,495,000	195,000 **	195,000
Total bonds payable	<u>7,690,000</u>	<u>6,880,000</u>	<u>7,495,000</u>	<u>7,075,000</u>	<u>195,000</u>
Plus deferred amounts:					
Issuance premiums	-	606,090	46,622	559,468 **	46,622
Other liabilities:					
Net pension liability (TMRS)	86,469	120,383	-	206,852	-
Compensated absences	7,833	5,406	6,691	6,548	4,865
Total Business-Type Activities	<u>\$ 7,784,302</u>	<u>\$ 7,611,879</u>	<u>\$ 7,548,313</u>	<u>\$ 7,847,868</u>	<u>\$ 246,487</u>

Long-term liabilities due in more than one year \$ 7,601,381

**Debt associated with capital assets \$ 7,634,468

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

The following is a summary of changes in the Corporation's long-term liabilities for the year end:

Component Unit:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Net pension liability (TMRS)	\$ -	\$ 39,500	\$ -	\$ 39,500	\$ -
Total Component Unit					
Activities	<u>\$ -</u>	<u>\$ 39,500</u>	<u>\$ -</u>	<u>\$ 39,500</u>	<u>\$ -</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term debt at year end was comprised of the following debt issues:

Description	Original Issue	Interest Rates	Balance
<u>Governmental Activities:</u>			
General Obligation Bonds			
2008 general obligation refunding bonds	\$ 3,260,000	3.35%	\$ 360,000
2008 general obligation bonds	\$ 13,255,000	4.00-5.25%	10,665,000
Total General Obligation Bonds			<u>11,025,000</u>
Tax Anticipation Notes			
2012 tax anticipation notes	\$ 700,000	1.30-2.00%	<u>355,000</u>
Certificates of Obligation			
2015 certificates of obligation	\$ 6,990,000	2.00-4.00%	<u>6,860,000</u>
Capital Leases	\$ 335,000	2.6-3.5%	<u>187,957</u>
Total Governmental Activities Long-Term Debt			<u>\$ 18,427,957</u>
<u>Business-Type Activities:</u>			
General Obligation Bonds			
2016 general obligation refunding bonds	\$ 6,880,000	2.00-4.00%	\$ 6,880,000
Total General Obligation Bonds			<u>6,880,000</u>
Certificates of Obligation			
2006 certificates of obligation	\$ 8,500,000	3.40%	<u>195,000</u>
Total Business-Type Activities Long-Term Debt			<u>\$ 7,075,000</u>

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

The annual requirements to amortize debt issues outstanding at year end were as follows:

Year Ending Sept. 30	Governmental Activities					
	General Obligation Bonds		Certificates of Obligation		Tax Anticipation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,050,000	\$ 498,105	\$ 180,000	\$ 192,269	\$ 115,000	\$ 5,128
2018	715,000	463,081	185,000	188,619	120,000	3,390
2019	745,000	432,988	190,000	184,869	120,000	1,200
2020	780,000	401,513	310,000	179,869	-	-
2021	810,000	367,725	175,000	175,019	-	-
2022-2026	4,685,000	1,213,856	925,000	810,347	-	-
2027-2031	2,240,000	119,175	2,195,000	640,106	-	-
2032-2035	-	-	2,700,000	165,731	-	-
Total	\$ 11,025,000	\$ 3,496,443	\$ 6,860,000	\$ 2,536,828	\$ 355,000	\$ 9,718

Year Ending Sept. 30	Business-Type Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ 248,375	\$ 195,000	\$ 3,315
2018	545,000	193,250	-	-
2019	565,000	182,150	-	-
2020	575,000	170,750	-	-
2021	590,000	159,100	-	-
2022-2026	3,175,000	557,050	-	-
2027-2028	1,430,000	57,800	-	-
Total	\$ 6,880,000	\$ 1,568,475	\$ 195,000	\$ 3,315

General obligation bonds, tax anticipation notes, and certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds, certificates of obligation, and tax anticipation notes are from taxes levied on all taxable property located within the City. The City has issued debt for the purpose of capital asset acquisition and infrastructure improvements.

Current Refunding

The City issued \$6,880,000 of General Obligation Refunding Bonds, Series 2016 to provide resources for all future debt service payments of \$7,365,000 of Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2006. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price equaled the net carrying amount of the old debt. This current refunding was undertaken to reduce total debt service payments over the next 13 years by \$796,546 and resulted in an economic gain of \$828,020.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Annual debt service requirements to retire outstanding capital leases are as follows:

Year Ending Sept. 30	Governmental Activities	
	Principal	Interest
2017	\$ 34,103	\$ 9,156
2018	35,764	7,495
2019	37,507	5,752
2020	39,334	3,925
2021	41,249	2,009
Totals	\$ 187,957	\$ 28,337

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 335,000
Less: accumulated depreciation	(79,563)
Total	\$ 255,437

E. Interfund Transactions

Transfers between the primary government funds during the 2016 fiscal year were as follows:

	Transfers In	Transfers Out
Governmental Funds:		
Individual major governmental funds:		
General	\$ 265,000	\$ -
Debt service	428,928	-
Total Governmental Funds	693,928	-
Enterprise Funds:		
Individual major enterprise funds:		
Water and sewer	-	428,928
Refuse	-	265,000
Total Enterprise Funds	-	693,928
Total Transfers	\$ 693,928	\$ 693,928

Amounts transferred between funds relate to amounts collected by water and sewer and the refuse funds for various governmental expenditures and debt payments.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

The composition of interfund balances as of year end is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Water and sewer	\$ 39,599
Refuse	Water and sewer	969
Debt service	General	7,228
		<u>\$ 47,796</u>

Amounts recorded as “due to/from” are considered to be temporary loans and will be repaid during the following year.

F. Fund Equity

Funds restricted by enabling legislation are \$30,821, \$4,236, \$62,650, and \$131,422 related to municipal court technology/building security, public safety, PEG fees, and tourism, respectively.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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 TMRS with a six-member Board of Trustees (the "Board"). 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 that can be obtained at www.tmrs.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 payment 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 percent of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>2015</u>	<u>2016</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/hrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Transfers	100% Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to, but not yet receiving, benefits	52
Active employees	87
Total	<u><u>175</u></u>

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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 seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.25 percent and 6.21 percent in calendar years 2016 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$244,564, which were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. 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 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent 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 three percent floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the 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 7.00 percent to 6.75 percent. 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.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target 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, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

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

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

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. 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 TPL.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 415,360	\$ -	\$ 415,360
Interest	430,539	-	430,539
Difference between expected and actual experience	37,731	-	37,731
Changes of assumptions	216,362	-	216,362
Contributions - employer	-	214,234	(214,234)
Contributions - employee	-	241,488	(241,488)
Net investment income	-	8,300	(8,300)
Benefit payments, including refunds of employee contributions	(259,770)	(259,770)	-
Administrative expense	-	(5,059)	5,059
Other changes	-	(250)	250
Net Changes	840,222	198,943	641,279
Balance at December 31, 2014	6,072,766	5,628,928	443,838
Balance at December 31, 2015	\$ 6,912,988	\$ 5,827,871	\$ 1,085,117

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 2,045,963	\$ 1,085,117	\$ 292,675

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.tmr.com.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

For the fiscal year ended September 30, 2016, the City recognized net pension expense of \$366,399.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 28,007	\$ 9,411
Changes in actuarial assumptions	160,599	-
Difference between projected and actual investment earnings	348,587	-
Contributions subsequent to the measurement date	181,181	-
Total	\$ 718,374	\$ 9,411

\$181,181 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 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:

<u>Fiscal Year Ended September 30</u>	<u>Pension Expense</u>
2017	\$ 150,704
2018	151,821
2019	148,114
2020	77,143
Total	\$ 527,782

2. Texas Emergency Services Retirement System

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the Texas Emergency Services Retirement System (TESRS) and established and administered by the State of Texas (the "State") to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2015, there were 197 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2015, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,991
Terminated members entitled to, but not yet receiving, benefits	2,211
Active participants	4,016

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Pension Plan Fiduciary Net Position

Detailed information about TESRS's fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, and can be obtained at www.tesrs.org. The separately issued actuarial valuations that may be of interest are also available at the same link.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees (the "Board") authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by Board rule. The benefit provisions include retirement benefits, as well as death and disability benefits. Members are 50 percent vested after the tenth year of service, with the vesting percentage increasing ten percent for each of the next five years of service so that a member becomes 100 percent vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2 percent compounded annually. There is no provision for automatic post retirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the TESRS contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make TESRS "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15 percent), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Two contribution rate was zero percent, since the first actuarial valuation report after adoption of the rules showed TESRS to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining TESRS to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in TESRS.

A small subset of participating departments has a different contribution arrangement that is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2015, total contributions (dues, prior service, and interest on prior service financing) of \$14,688 were paid by the City. The State appropriated \$1,637,308 for the fiscal year ending August 31, 2015 to the plan as a whole.

Actuarial Assumptions

The TPL in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	8/31/2014
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with an 80%/120% corridor on market value
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases	N/A
*Includes inflation at	3.50%
Cost of living adjustments	None

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA. The long-term expected rate of return on pension plan investments 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 real rates of return by the target asset allocation percentage (currently 4.45%) and by adding expected inflation (3.50%). In addition, the final 7.75 percent assumption reflected a reduction of 0.20 percent for adverse deviation.

The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	32.0%	5.20%
Small cap domestic	10.0%	5.80%
Developed international	21.0%	5.50%
Emerging markets	6.0%	5.40%
Master limited partnership	5.0%	7.10%
Fixed income		
Domestic	21.0%	1.40%
International	5.0%	1.60%
Total	<u>100.0%</u>	
Weighted average		4.45%

Discount Rate

The discount rate used to measure the TPL was 7.75 percent. No projection of cash flows was used to determine the discount rate because the August 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. That UAAL was based on an actuarial value of assets that was \$7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, 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 was applied to all periods of projected benefit payments to determine the TPL.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Discount Rate Sensitivity Analysis

The following presents the NPL of the City, calculated using the discount rate of 7.75 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
City's proportionate share of the net pension liability	\$ 145,229	\$ 83,002	\$ 47,143

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

At August 31, 2015, the City reported a liability of \$83,002 for its proportionate share of TESRS's NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the collective NPL	\$ 83,002
*State's proportionate share that is associated with the City	28,771
Total	<u>\$ 111,773</u>

**Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective NPL.*

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2014 and rolled forward to August 31, 2015. GASB Statement No. 68 requires the NPL to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward (nor did they provide the necessary information for the participants to roll forward) the NPL to be measured as of a date no earlier than the end of the City's prior fiscal year. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report an NPL measured as of August 31, 2015. The City used the assumption that any differences in the NPL measured as of August 31, 2015 versus September 30, 2015 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015, the employer's proportion of the collective NPL was 0.311 percent, which was an increase of 0.010 percent from its proportion measured as of August 31, 2014.

There were no changes of assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the year ended August 31, 2015, the City recognized pension expense of \$11,519. The City recognized on-behalf revenues of \$5,091 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

At August 31, 2015, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 15,588	\$ -
Changes in proportion and employer and proportionate share of contributions	2,407	401
Contributions paid to TESRS subsequent to the measurement date	17,342	-
Total	\$ 35,337	\$ 401

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

Fiscal Years Ended September 30	Pension Expense
2017	\$ (3,296)
2018	(3,296)
2019	(3,296)
2020	(6,742)
2021	(260)
Thereafter	(704)
Total	\$ (17,594)

D. Other Post Employment Benefits

TMRS Supplemental Death Benefit Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. For the year ended September 30, 2016, the City offered the supplemental death benefit to both active and retired employees.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contribution to the TMRS SDBF for the fiscal years ended 2016, 2015, and 2014 were \$1,466, \$1,238, and \$910, respectively. The City's contribution rates for the past three years are shown below.

	2016	2015	2014
Annual Req. Contrib. (Rate)	0.04%	0.04%	0.03%
Actual Contribution Made	0.04%	0.04%	0.03%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with the Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payments to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions.

F. Chapter 380 Economic Development Agreement

Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, provides that the authority to the governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality.

In November 2014, the City approved a Chapter 380 Economic Development Agreement with Jess-John, Inc. (the "Developer"). The Developer plans to construct residential housing that will require the development of infrastructure for City services for the tract of land within the City. The City has agreed to pay the Developer up to one half of the cost of improvements, not to exceed \$674,530.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

G. Subsequent Events

Refunding Bonds

In February 2017, the City issued General Obligation Refunding Bonds, Series 2017 in the amount of \$8,045,000 to provide resources for the future debt service payments of \$7,735,000 of General Obligation Bonds, Series 2008. The interest rate of the bonds will be 2.23 percent. The bonds have a maturity date of February 1, 2028.

Tax Notes

In March 2017, the City approved the issuance of Tax Notes, Series 2017 in the amount of \$575,000. Proceeds from the notes will be used for utility system improvements, purchasing accounting software, and purchasing a public works vehicle. The notes will mature in February 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAYTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
Revenues				
Property tax	\$ 3,519,284	\$ 3,519,284	\$ 3,393,480	\$ (125,804)
Sales tax	1,710,000	1,710,000	1,428,294	(281,706)
Franchise and local taxes	422,500	422,500	393,616	(28,884)
Licenses and permits	40,000	46,000	94,027	48,027
Intergovernmental	-	162,625	117,951	(44,674)
Fines and forfeitures	267,156	294,416	321,633	27,217
Charges for services	111,700	111,700	108,065	(3,635)
Investment income	40,060	40,060	28,002	(12,058)
Contributions and donations	-	9,627	9,205	(422)
Payments in lieu of taxes	293,000	293,000	322,576	29,576
Other revenue	53,900	80,900	112,827	31,927
Total Revenues	6,457,600	6,690,112	6,329,676	(360,436)
Expenditures				
General government				
Administration	1,100,744	1,417,304	1,327,077	90,227
Inspection	466,916	350,922	326,194	24,728
Total General Government	1,567,660	1,768,226	1,653,271	114,955
Public Safety				
Police	2,161,416	2,334,709	2,297,212	37,497
Fire	149,786	137,303	116,618	20,685
Municipal court	169,752	175,421	168,012	7,409
Total Public Safety	2,480,954	2,647,433	2,581,842	65,591
Public works				
Streets	1,136,282	1,152,428	1,124,016	28,412
Maintenance	272,569	264,604	257,050	7,554
Total Public Works	1,408,851	1,417,032	1,381,066	35,966
Culture and recreation				
Library	285,055	281,762	272,494	9,268
City park	328,919	324,832	276,758	48,074
Total Culture and Recreation	613,974	606,594	549,252	57,342
Community enhancement	199,533	203,277	201,043	2,234
Community center	362,237	374,057	365,995	8,062
Debt Service:				
Principal	32,519	32,519	32,519	-
Interest and fiscal charges	10,740	10,740	10,740	-
Total Debt Service	43,259	43,259	43,259	-
Total Expenditures	6,676,468	7,059,878	6,775,728	284,150
(Deficiency) of Revenues				
(Under) Expenditures	(218,868)	(369,766)	(446,052)	(76,286)
Other Financing Sources (Uses)				
Transfers in	265,000	265,000	265,000	-
Net Change in Fund Balance	\$ 46,132	\$ (104,766)	(181,052)	\$ (76,286)
Beginning fund balance			7,304,444	
Ending Fund Balance			\$ 7,123,392	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF DAYTON, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2016

		Measurement Year*	
		2014	2015
Total Pension Liability			
Service cost		\$ 324,986	\$ 415,360
Interest (on the total pension liability)		396,895	430,539
Difference between expected and actual experience		(19,939)	37,731
Change of assumptions		-	216,362
Benefit payments, including refunds of employee contributions		(273,230)	(259,770)
Net Change in Total Pension Liability		428,712	840,222
Beginning total pension liability		5,644,054	6,072,766
Ending Total Pension Liability		\$ 6,072,766	\$ 6,912,988
Plan Fiduciary Net Position			
Contributions - employer		\$ 177,101	\$ 214,234
Contributions - employee		215,977	241,488
Net investment income		298,309	8,300
Benefit payments, including refunds of employee contributions		(273,230)	(259,770)
Administrative expense		(3,114)	(5,059)
Other		(256)	(250)
Net Change in Plan Fiduciary Net Position		414,787	198,943
Beginning plan fiduciary net position		5,214,141	5,628,928
Ending Plan Fiduciary Net Position		\$ 5,628,928	\$ 5,827,871
Net Pension Liability		\$ 443,838	\$ 1,085,117
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		92.69%	84.30%
Covered Employee Payroll		\$ 3,085,380	\$ 3,449,831
Net Pension Liability as a Percentage of Covered Employee Payroll		14.39%	31.45%

*Only two years of information is currently available. The City will build this schedule over the next eight-year period.

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CITY OF DAYTON, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
For the Year Ended September 30, 2016

	Measurement Year*	
	2014	2015
City's proportion of the net pension liability	0.301%	0.311%
City's proportionate share of the net pension liability	\$ 54,697	\$ 83,002
State's proportionate share of the net pension liability	18,386	28,771
Total	\$ 73,083	\$ 111,773
Number of Active Members**	32	34
City's net pension liability per active member	\$ 1,709	\$ 2,441
Plan fiduciary net position as a percentage of the total pension liability	83.5%	76.9%

*Only two years of information is currently available. The City will build this schedule over the next eight-year period.

**There is no compensation for active members. Number of active members is used instead.

Notes to Required Supplementary Information:

Defined Benefit Pension Plan

Changes in benefit terms

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

Changes in assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

CITY OF DAYTON, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2016

	Fiscal Year*		
	2014	2015	2016
Actuarially determined contribution	\$ 170,209	\$ 201,762	\$ 244,564
Contributions in relation to the actuarially determined contribution	170,209	201,762	244,564
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,032,125	\$ 3,316,114	\$ 3,919,546
Contributions as a percentage of covered employee payroll	5.61%	6.08%	6.24%

* Only three years of information is currently available. The City will build this schedule over the next seven-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

CITY OF DAYTON, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)
For the Year Ended September 30, 2016

	Fiscal Year*		
	2014	2015	2016
Contractually required contribution	\$ 13,644	\$ 14,852	\$ 17,342
Contributions in relation to the contractually required contribution	13,644	14,852	17,342
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Number of active members**	32	34	30
Contributions per active member	\$ 426	\$ 437	\$ 578

*Only three years of information is currently available. The City will build this schedule over the next seven-year period.

**There is no compensation for active members. Number of active members is used instead.

***COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULE***

CITY OF DAYTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	
<u>Revenues</u>				
Property tax	\$ 1,671,238	\$ 1,637,814	\$ 1,719,257	\$ 81,443
Investment income	6,299	3,701	6,681	2,980
Total Revenues	<u>1,677,537</u>	<u>1,641,515</u>	<u>1,725,938</u>	<u>84,423</u>
<u>Expenditures</u>				
Principal	1,315,000	1,315,000	1,315,000	-
Interest and fiscal charges	789,788	789,788	771,560	18,228
Total Expenditures	<u>2,104,788</u>	<u>2,104,788</u>	<u>2,086,560</u>	<u>18,228</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(427,251)</u>	<u>(463,273)</u>	<u>(360,622)</u>	<u>102,651</u>
<u>Other Financing Sources</u>				
Transfers in	<u>429,678</u>	<u>429,678</u>	<u>428,928</u>	<u>(750)</u>
Total Other Financing Sources	<u>429,678</u>	<u>429,678</u>	<u>428,928</u>	<u>(750)</u>
Net Change in Fund Balance	<u>\$ 2,427</u>	<u>\$ (33,595)</u>	<u>68,306</u>	<u>\$ 101,901</u>
Beginning fund balance			<u>1,671,444</u>	
Ending Fund Balance			<u>\$ 1,739,750</u>	

CITY OF DAYTON, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

SPECIAL REVENUE FUNDS

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

Hotel and Motel Tax Fund

The hotel and motel tax fund accounts for revenues derived from the City's hotel/motel tax for which the expenditures are legally restricted for enhancement and promotion of tourism for the convention and hotel industry within the City and vicinity.

Community Development Fund

The community development fund accounts for revenues received from the Community Development Block Grant and the expenditures related to the projects.

CITY OF DAYTON, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Hotel and Motel Tax	Community Development	
<u>Assets</u>			
Cash and cash equivalents	\$ 121,897	\$ -	\$ 121,897
Receivables, net	9,525	17,500	27,025
Total Assets	\$ 131,422	\$ 17,500	\$ 148,922
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 17,500	\$ 17,500
Total Liabilities	-	17,500	17,500
Fund Balances			
Restricted:			
Tourism	131,422	-	131,422
Total Fund Balances	131,422	-	131,422
Total Liabilities and Fund Balances	\$ 131,422	\$ 17,500	\$ 148,922

CITY OF DAYTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2016

	<u>Special Revenue Funds</u>		<u>Total Nonmajor</u>
	<u>Hotel and</u>	<u>Community</u>	<u>Governmental</u>
	<u>Motel Tax</u>	<u>Development</u>	<u>Funds</u>
<u>Revenues</u>			
Franchise and local taxes	\$ 100,217	\$ -	\$ 100,217
Intergovernmental	-	17,500	17,500
Investment income	605	-	605
Total Revenues	<u>100,822</u>	<u>17,500</u>	<u>118,322</u>
<u>Expenditures</u>			
Community enhancement	86,784	17,500	104,284
Tourism promotion	147,087	-	147,087
Total Expenditures	<u>233,871</u>	<u>17,500</u>	<u>251,371</u>
Net Change in Fund Balances	(133,049)	-	(133,049)
Beginning fund balances	<u>264,471</u>	<u>-</u>	<u>264,471</u>
Ending Fund Balances	<u>\$ 131,422</u>	<u>\$ -</u>	<u>\$ 131,422</u>

CITY OF DAYTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL AND MOTEL TAX FUND
For the Year Ended September 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive Negative
	Original Budget	Budget as Amended	Actual	(Negative)
<u>Revenues</u>				
Franchise and local taxes	\$ 86,600	\$ 86,600	\$ 100,217	\$ 13,617
Investment income	600	600	605	5
Other revenue	15,000	15,000	-	(15,000)
Total Revenues	<u>102,200</u>	<u>102,200</u>	<u>100,822</u>	<u>(1,378)</u>
<u>Expenditures</u>				
Community enhancement	50,000	86,784	86,784	-
Tourism promotion	150,000	153,878	147,087	6,791
Total Expenditures	<u>200,000</u>	<u>240,662</u>	<u>233,871</u>	<u>6,791</u>
Net Change in Fund Balance	<u>\$ (97,800)</u>	<u>\$ (138,462)</u>	<u>(133,049)</u>	<u>\$ 5,413</u>
Beginning fund balance			<u>264,471</u>	
Ending Fund Balance			<u>\$ 131,422</u>	

STATISTICAL SECTION

This part of the City'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	Page
Financial Trends	102
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	114
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.</i>	
Debt Capacity	122
<i>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.</i>	
Demographic and Economic Information	131
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	135
<i>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.</i>	

CITY OF DAYTON, TEXAS

NET POSITION BY COMPONENT

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities				
Net investment in capital assets	\$ 575,833	\$ (1,049,374)	\$ (902,044)	\$ (368,043)
Restricted	1,182,072	1,327,555	1,259,021	1,846,613
Unrestricted	1,681,688	4,730,849	4,751,826	4,415,092
Total Governmental Activities Net Position	\$ 3,439,593	\$ 5,009,030	\$ 5,108,803	\$ 5,893,662
Business-Type Activities				
Net investment in capital assets	\$ 9,041,108	\$ 7,306,107	\$ 8,259,046	\$ 8,645,703
Unrestricted	1,360,207	3,720,126	5,197,908	4,668,024
Total Business-Type Activities Net Position	\$ 10,401,315	\$ 11,026,233	\$ 13,456,954	\$ 13,313,727
Primary Government				
Net investment in capital assets	\$ 9,616,941	\$ 6,256,733	\$ 7,357,002	\$ 8,277,660
Restricted	1,182,072	1,327,555	1,259,021	1,846,613
Unrestricted	3,041,895	8,450,975	9,949,734	9,083,116
Total Primary Government Net Position	\$ 13,840,908	\$ 16,035,263	\$ 18,565,757	\$ 19,207,389

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 925,703	\$ 1,445,839	\$ 2,509,582	\$ 3,462,443	\$ 4,566,453	\$ 6,558,718
1,616,547	1,675,266	1,623,984	1,808,450	9,063,490	6,344,697
4,868,753	6,069,598	7,082,301	7,511,183	356,496	2,112,589
<u>\$ 7,411,003</u>	<u>\$ 9,190,703</u>	<u>\$ 11,215,867</u>	<u>\$ 12,782,076</u>	<u>\$ 13,986,439</u>	<u>\$ 15,016,004</u>
\$ 9,359,270	\$ 9,194,380	\$ 8,952,136	\$ 9,645,450	\$ 9,839,516	\$ 8,972,226
4,512,879	4,667,522	3,780,649	3,216,055	3,269,377	3,385,631
<u>\$ 13,872,149</u>	<u>\$ 13,861,902</u>	<u>\$ 12,732,785</u>	<u>\$ 12,861,505</u>	<u>\$ 13,108,893</u>	<u>\$ 12,357,857</u>
\$ 10,284,973	\$ 10,640,219	\$ 11,461,718	\$ 13,107,893	\$ 14,405,969	\$ 15,530,944
1,616,547	1,675,266	1,623,984	1,808,450	9,063,490	6,344,697
9,381,632	10,737,120	10,862,950	10,727,238	3,625,873	5,498,220
<u>\$ 21,283,152</u>	<u>\$ 23,052,605</u>	<u>\$ 23,948,652</u>	<u>\$ 25,643,581</u>	<u>\$ 27,095,332</u>	<u>\$ 27,373,861</u>

CITY OF DAYTON, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities				
General government	\$ 673,152	\$ 3,003,337	\$ 1,676,685	\$ 1,680,540
Public safety	1,357,366	1,320,013	1,330,407	1,996,880
Public works	989,327	853,850	801,733	1,023,098
Culture and recreation	268,213	275,348	389,495	475,913
Community enhancement	113,637	287,451	113,837	782,221
Interest and fees on debt	297,801	282,937	943,998	937,955
Total Governmental Activities Expenses	<u>3,699,496</u>	<u>6,022,936</u>	<u>5,256,155</u>	<u>6,896,607</u>
Business-Type Activities				
Water and sewer	2,431,526	2,381,794	2,405,119	2,822,889
Refuse	792,901	775,730	783,072	795,252
Total Business-Type Activities Expenses	<u>3,224,427</u>	<u>3,157,524</u>	<u>3,188,191</u>	<u>3,618,141</u>
Total Expenses	<u><u>\$ 6,923,923</u></u>	<u><u>\$ 9,180,460</u></u>	<u><u>\$ 8,444,346</u></u>	<u><u>\$ 10,514,748</u></u>
Program Revenues				
Governmental activities				
Charges for services				
Public safety	\$ 235,580	\$ 250,268	\$ 279,152	\$ 290,581
Public works	52,028	33,832	25,443	35,394
Operating grants and contributions	51,322	1,056,590	102,980	361,668
Total Governmental Activities				
Program Revenues	<u>338,930</u>	<u>1,340,690</u>	<u>407,575</u>	<u>687,643</u>
Business-Type Activities				
Charges for services				
Water and sewer	2,543,513	3,062,084	3,017,897	2,996,343
Refuse	813,308	869,261	907,203	898,957
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total Business-Type Activities				
Program Revenues	<u>3,356,821</u>	<u>3,931,345</u>	<u>3,925,100</u>	<u>3,895,300</u>
Total Program Revenues	<u><u>\$ 3,695,751</u></u>	<u><u>\$ 5,272,035</u></u>	<u><u>\$ 4,332,675</u></u>	<u><u>\$ 4,582,943</u></u>
Net (Expense)/Revenue				
Governmental activities	\$ (3,360,566)	\$ (4,682,246)	\$ (4,848,580)	\$ (6,208,964)
Business-type activities	132,394	773,821	736,909	277,159
Total Net Expense	<u><u>\$ (3,228,172)</u></u>	<u><u>\$ (3,908,425)</u></u>	<u><u>\$ (4,111,671)</u></u>	<u><u>\$ (5,931,805)</u></u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 966,880	\$ 1,078,921	\$ 1,020,821	\$ 1,069,703	\$ 1,289,299	\$ 1,550,223
2,005,207	2,117,615	2,174,567	2,203,892	2,269,519	2,792,742
1,422,006	1,151,412	1,317,655	1,315,378	1,296,200	1,437,126
631,215	598,987	595,737	581,414	768,841	522,139
870,551	655,102	576,481	645,128	534,658	860,409
776,729	722,249	681,460	633,697	808,002	708,990
6,672,588	6,324,286	6,366,721	6,449,212	6,966,519	7,871,629
3,150,636	3,225,967	3,019,288	3,170,831	3,388,885	3,625,937
860,456	765,371	838,182	837,012	868,535	932,668
4,011,092	3,991,338	3,857,470	4,007,843	4,257,420	4,558,605
\$ 10,683,680	\$ 10,315,624	\$ 10,224,191	\$ 10,457,055	\$ 11,223,939	\$ 12,430,234
\$ 447,569	\$ 380,974	\$ 421,610	\$ 391,963	\$ 415,984	\$ 429,698
36,572	28,625	48,008	64,802	55,531	94,027
1,042,973	493,848	125,638	610,798	56,029	140,542
1,527,114	903,447	595,256	1,067,563	527,544	664,267
3,104,029	3,198,803	3,070,922	3,096,300	3,193,106	3,363,188
942,360	1,000,024	1,034,706	1,029,176	1,058,072	1,091,873
344,576	35,000	-	-	-	-
261,526	-	-	-	-	-
4,652,491	4,233,827	4,105,628	4,125,476	4,251,178	4,455,061
\$ 6,179,605	\$ 5,137,274	\$ 4,700,884	\$ 5,193,039	\$ 4,778,722	\$ 5,119,328
\$ (5,145,474)	\$ (5,420,839)	\$ (5,771,465)	\$ (5,381,649)	\$ (6,438,975)	\$ (7,207,362)
641,399	242,489	248,158	117,633	(6,242)	(103,544)
\$ (4,504,075)	\$ (5,178,350)	\$ (5,523,307)	\$ (5,264,016)	\$ (6,445,217)	\$ (7,310,906)

CITY OF DAYTON, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes	\$ 3,603,433	\$ 3,816,741	\$ 4,811,646	\$ 4,656,172
Sales taxes	925,496	1,001,892	902,194	787,054
Franchise and local taxes	542,324	572,664	567,042	611,240
Investment income	231,668	327,025	194,084	123,913
Other revenues	72,774	109,495	97,752	326,260
Gain (loss) on sale of capital assets	-	2,318	2,782	-
Transfers in (out)	556,065	421,548	(1,555,145)	489,184
Total Governmental Activities	<u>5,931,760</u>	<u>6,251,683</u>	<u>5,020,355</u>	<u>6,993,823</u>
Business-type activities				
Investment income	459,280	228,687	61,230	44,811
Other revenues	22,974	36,721	30,561	23,987
Gain on sale of capital assets	-	7,237	1,495	-
Transfers in (out)	(556,065)	(421,548)	1,555,145	(489,184)
Total Business-Type Activities	<u>(73,811)</u>	<u>(148,903)</u>	<u>1,648,431</u>	<u>(420,386)</u>
Total Primary Government	<u>\$ 5,857,949</u>	<u>\$ 6,102,780</u>	<u>\$ 6,668,786</u>	<u>\$ 6,573,437</u>
Change in Net Position				
Governmental activities	\$ 2,571,194	\$ 1,569,437	\$ 171,775	\$ 784,859
Business-type activities	58,583	624,918	2,385,340	(143,227)
Total Primary Government	<u>\$ 2,629,777</u>	<u>\$ 2,194,355</u>	<u>\$ 2,557,115</u>	<u>\$ 641,632</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 4,564,356	\$ 4,570,211	\$ 4,696,620	\$ 4,772,360	\$ 4,973,068	\$ 5,123,388
1,019,311	1,263,882	1,349,335	1,697,517	1,774,826	1,428,294
768,721	728,811	791,503	735,786	824,956	816,409
92,976	52,953	28,952	39,142	56,722	52,876
67,840	76,708	111,890	161,238	237,491	122,032
-	-	-	-	-	-
149,611	410,267	1,125,000	(55,313)	(227,672)	693,928
<u>6,662,815</u>	<u>7,102,832</u>	<u>8,103,300</u>	<u>7,350,730</u>	<u>7,639,391</u>	<u>8,236,927</u>
39,337	26,628	11,318	14,698	12,335	11,529
27,297	24,338	19,408	20,049	13,623	34,907
-	-	-	-	-	-
(149,611)	(410,267)	(1,125,000)	55,313	227,672	(693,928)
(82,977)	(359,301)	(1,094,274)	90,060	253,630	(647,492)
<u>\$ 6,579,838</u>	<u>\$ 6,743,531</u>	<u>\$ 7,009,026</u>	<u>\$ 7,440,790</u>	<u>\$ 7,893,021</u>	<u>\$ 7,589,435</u>
\$ 1,517,341	\$ 1,681,993	\$ 2,331,835	\$ 1,969,081	\$ 1,200,416	\$ 1,029,565
558,422	(116,812)	(846,116)	207,693	247,388	(751,036)
<u>\$ 2,075,763</u>	<u>\$ 1,565,181</u>	<u>\$ 1,485,719</u>	<u>\$ 2,176,774</u>	<u>\$ 1,447,804</u>	<u>\$ 278,529</u>

CITY OF DAYTON, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Function	Fiscal Year			
	2007	2008	2009	2010
Property taxes	\$ 3,603,433	\$ 3,816,741	\$ 4,811,646	\$ 4,656,172
Sales taxes	925,496	1,001,892	902,194	787,054
Franchise and local taxes	542,324	572,664	567,042	611,240
Total	\$ 5,071,253	\$ 5,391,297	\$ 6,280,882	\$ 6,054,466

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 4,564,356	\$ 4,570,211	\$ 4,696,620	\$ 4,772,360	\$ 4,973,068	\$ 5,123,388
1,019,311	1,263,882	1,349,335	1,697,517	1,774,826	1,428,294
768,721	728,811	791,503	735,786	824,956	816,409
<u>\$ 6,352,388</u>	<u>\$ 6,562,904</u>	<u>\$ 6,837,458</u>	<u>\$ 7,205,663</u>	<u>\$ 7,572,850</u>	<u>\$ 7,368,091</u>

CITY OF DAYTON, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

		Fiscal Year			
		2007	2008	2009	2010
General Fund					
Nonspendable		\$ 776	\$ 785	\$ 581	\$ -
Restricted		18,393	22,983	83,235	22,954
Assigned		370,059	275,935	44,824	42,645
Unassigned		3,568,645	3,407,477	3,712,905	4,020,551
Total General Fund		<u><u>\$ 3,957,873</u></u>	<u><u>\$ 3,707,180</u></u>	<u><u>\$ 3,841,545</u></u>	<u><u>\$ 4,086,150</u></u>
All Other Governmental Funds					
Restricted		\$ 1,094,717	\$ 14,288,457	\$ 6,341,117	\$ 3,263,127
Assigned		-	293,096	21,987	-
Unassigned		(18,191)	-	-	-
Total All Other Governmental Funds		<u><u>\$ 1,076,526</u></u>	<u><u>\$ 14,581,553</u></u>	<u><u>\$ 6,363,104</u></u>	<u><u>\$ 3,263,127</u></u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 958	\$ 616	\$ 935	\$ 54,667	\$ 3,490	\$ 98,181
22,112	28,023	58,204	93,404	144,279	97,707
32,619	3,176	3,427	5,270	31,080	1,232
5,516,861	5,385,160	6,399,287	7,182,653	7,125,595	6,926,272
<u>\$ 5,572,550</u>	<u>\$ 5,416,975</u>	<u>\$ 6,461,853</u>	<u>\$ 7,335,994</u>	<u>\$ 7,304,444</u>	<u>\$ 7,123,392</u>
\$ 1,475,771	\$ 1,532,577	\$ 1,461,402	\$ 1,812,801	\$ 8,919,211	\$ 6,246,990
384,630	190,588	209,367	-	-	-
-	-	-	-	-	-
<u>\$ 1,860,401</u>	<u>\$ 1,723,165</u>	<u>\$ 1,670,769</u>	<u>\$ 1,812,801</u>	<u>\$ 8,919,211</u>	<u>\$ 6,246,990</u>

CITY OF DAYTON, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Years
 (modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Property taxes	\$ 3,664,952	\$ 3,821,943	\$ 4,784,351	\$ 4,717,527
Sales taxes	925,496	1,001,892	902,194	787,054
Franchise and local taxes	381,056	406,600	389,785	462,027
Licenses and permits	52,028	33,832	25,443	35,394
Intergovernmental	40,872	1,049,982	101,980	214,551
Fines and forfeitures	208,901	224,222	253,422	198,026
Charges for services	26,679	26,046	25,730	92,555
Investment income	231,668	327,025	194,084	123,913
Contributions and donations	10,450	6,608	1,000	147,117
Payments in lieu of taxes	161,268	166,064	177,257	149,213
Other revenue	72,774	109,495	97,752	323,510
Total Revenues	5,776,144	7,173,709	6,952,998	7,250,887
Expenditures				
General government	767,588	2,991,880	1,644,678	1,693,222
Public safety	1,377,960	1,742,088	1,732,664	1,990,372
Public works	1,149,602	894,962	1,246,457	922,042
Culture and recreation	362,867	263,921	362,028	366,971
Community enhancement	86,637	268,055	88,091	347,534
Civic center	-	-	-	159,350
Tourism promotion	27,000	17,950	24,300	37,295
Capital outlay	245,781	573,240	8,411,816	2,975,161
Debt service				
Principal	1,102,365	1,096,465	1,321,280	1,282,007
Interest	313,426	643,449	976,190	824,239
Total Expenditures	5,433,226	8,492,010	15,807,504	10,598,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	342,918	(1,318,301)	(8,854,506)	(3,347,306)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets/leases	-	-	139,787	139,787
Issuance of debt	750,000	13,915,000	2,255,000	2,255,000
Premium on debt	-	241,680	-	-
Payment to escrow agent	-	(3,267,911)	-	-
Transfers in	917,676	510,548	726,308	726,308
Transfers out	(361,611)	(89,000)	(2,281,453)	(2,281,453)
Refunding bonds issued	-	3,260,000	-	-
Sale of capital assets	-	2,318	2,782	2,782
Total Other Financing Sources	1,306,065	14,572,635	842,424	842,424
Net Change in Fund Balances	\$ 1,648,983	\$ 13,254,334	\$ (8,012,082)	\$ (2,504,882)
 Debt service as a percentage of noncapital expenditures	 31.09%	 24.72%	 36.47%	 28.74%

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 4,396,138	\$ 4,523,550	\$ 4,677,228	\$ 4,783,363	\$ 4,941,183	\$ 5,112,737
1,019,311	1,263,882	1,349,335	1,697,517	1,774,826	1,428,294
535,983	515,348	493,325	470,692	485,002	493,833
36,572	28,625	48,008	64,802	55,531	94,027
1,039,598	491,798	124,105	604,144	47,398	135,451
269,994	260,989	295,556	255,716	312,613	321,633
177,575	119,985	126,054	136,247	103,371	108,065
92,976	52,953	28,952	38,069	56,651	52,770
3,375	2,050	1,533	6,654	4,025	9,205
232,738	213,463	298,178	265,094	339,954	322,576
67,840	76,708	111,890	161,238	241,170	112,827
7,872,100	7,549,351	7,554,164	8,483,536	8,361,724	8,191,418
1,059,562	2,576,777	1,038,969	1,078,878	1,328,167	1,653,271
1,954,600	2,064,095	2,050,093	2,151,798	2,326,663	5,206,802
1,986,509	1,248,321	1,653,068	1,124,174	1,133,012	1,381,066
393,173	423,189	468,025	375,242	506,636	549,252
400,702	247,881	123,372	651,961	205,286	305,327
318,467	276,644	317,575	376,200	383,320	365,995
42,441	21,024	42,272	37,599	37,600	147,087
33,410	7,092	-	-	-	-
1,255,611	1,373,848	1,335,000	1,445,000	1,526,009	1,347,519
828,562	756,016	701,942	651,736	745,346	782,300
8,273,037	8,994,887	7,730,316	7,892,588	8,192,039	11,738,619
(400,937)	(1,445,536)	(176,152)	590,948	169,685	(3,547,201)
2,750	335,000	-	-	-	-
-	-	700,000	-	6,990,000	-
-	-	-	-	142,847	-
-	-	-	-	-	-
495,374	1,736,162	621,997	425,225	422,328	693,928
(6,190)	(1,586,551)	(211,730)	-	(650,000)	-
-	-	-	-	-	-
-	-	-	-	-	-
491,934	484,611	1,110,267	425,225	6,905,175	693,928
\$ 90,997	\$ (960,925)	\$ 934,115	\$ 1,016,173	\$ 7,074,860	\$ (2,853,273)
28.99%	30.69%	29.52%	27.68%	29.70%	25.58%

CITY OF DAYTON, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Land	\$ 88,469,937	\$ 92,891,191	\$ 98,818,451	\$ 105,503,151
Improvements	260,127,430	299,417,041	307,394,663	320,343,413
Personal	376,111,610	457,805,580	420,205,320	384,786,515
Minerals	292,780	249,380	241,220	795,454
Less: Exempt, productivity loss and homestead cap	127,944,315	153,327,272	175,203,872	192,768,814
Total Taxable Assessed Valuation (1)	\$ 597,057,442	\$ 697,035,920	\$ 651,455,782	\$ 618,659,719
Full Market Valuation	\$ 725,001,757	\$ 850,363,192	\$ 826,659,654	\$ 811,428,533
Total Direct Tax Rate	\$ 0.6449	\$ 0.6349	\$ 0.6852	\$ 0.7256

Source: Liberty County Appraisal District

(1) All property is assessed at 100% of actual taxable value.

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 111,463,136	\$ 113,343,078	\$ 113,273,194	\$ 115,590,185	\$ 151,820,540	\$ 167,980,167
325,574,941	330,366,373	331,979,823	338,033,726	349,124,036	373,661,466
471,652,050	421,330,420	396,168,790	447,953,050	456,393,110	331,862,170
619,194	896,228	867,679	913,741	58,499	31,431
193,299,492	188,239,525	187,542,607	189,455,245	203,376,421	214,898,945
<u>\$ 716,009,829</u>	<u>\$ 677,696,574</u>	<u>\$ 654,746,879</u>	<u>\$ 713,035,457</u>	<u>\$ 754,019,764</u>	<u>\$ 658,636,289</u>
\$ 909,309,321	\$ 865,936,099	\$ 842,289,486	\$ 902,490,702	\$ 957,396,185	\$ 873,535,234
\$ 0.7245	\$ 0.6304	\$ 0.6853	\$ 0.7229	\$ 0.6900	\$ 0.6800

CITY OF DAYTON, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Years

		Fiscal Year			
		2007	2008	2009	2010
City of Dayton:					
Operating tax rate		\$ 0.5139	\$ 0.4902	\$ 0.4550	\$ 0.4446
Debt service tax rate		0.1310	0.1447	0.2302	0.2810
Total Direct Rates		<u>\$ 0.6449</u>	<u>\$ 0.6349</u>	<u>\$ 0.6852</u>	<u>\$ 0.7256</u>
Liberty County		\$ 0.5623	\$ 0.5600	\$ 0.5600	\$ 0.5600
Hospital District		0.0900	0.0900	0.0900	0.0900
Dayton ISD		1.5400	1.2200	1.2080	1.2080
Drainage District #1 (2)		0.0913	0.0913	0.0878	0.0799
Total Direct and Overlapping Rates (1)		<u>\$ 2.283600</u>	<u>\$ 1.961300</u>	<u>\$ 1.945800</u>	<u>\$ 1.937900</u>
Total Assessed Valuation		<u>\$ 597,057,442</u>	<u>\$ 697,035,920</u>	<u>\$ 651,455,782</u>	<u>\$ 618,659,719</u>

Notes: 1) The basis for property tax rates is per \$100 of the assessed valuation.

2) Drainage District #1 has a partial overlapping area.

Source: Liberty County Appraisal District

Fiscal Year

2011	2012	2013	2014	2015	2016
\$ 0.4835	\$ 0.4262	\$ 0.4971	\$ 0.4509	\$ 0.4440	\$ 0.4510
0.2410	0.2042	0.1882	0.2720	0.2460	0.2290
<u>\$ 0.7245</u>	<u>\$ 0.6304</u>	<u>\$ 0.6853</u>	<u>\$ 0.7229</u>	<u>\$ 0.6900</u>	<u>\$ 0.6800</u>
\$ 0.5600	\$ 0.5600	\$ 0.5600	\$ 0.5788	\$ 0.5788	\$ 0.5788
0.0900	0.0900	0.0900	0.0900	0.0900	0.0900
1.2080	1.2080	1.2080	1.2080	1.1980	1.4217
0.1106	0.0917	0.0974	0.0987	0.0944	0.0890
<u>\$ 1.968600</u>	<u>\$ 1.949700</u>	<u>\$ 1.955400</u>	<u>\$ 1.975500</u>	<u>\$ 1.961200</u>	<u>\$ 2.179500</u>
<u>\$ 716,009,829</u>	<u>\$ 677,696,574</u>	<u>\$ 654,746,879</u>	<u>\$ 713,035,457</u>	<u>\$ 754,019,764</u>	<u>\$ 658,636,289</u>

CITY OF DAYTON, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago

Property Taxpayer	2016			2006		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
Total Petrochemicals USA	\$ 47,049,800	1	7.14%	\$ 32,566,365	3	5.81%
Exxon Chemical Americas	43,514,410	2	6.61%	68,707,410	1	12.26%
Westlake Polymers LP	21,192,940	3	3.22%	n/a	-	n/a
Global Tubing	33,776,060	4	5.13%	n/a	-	n/a
Equistar Chemicals LP	18,827,840	5	2.86%	n/a	-	n/a
Westlake Petrochemicals LLC	18,615,150	6	2.83%	n/a	-	n/a
TRT Lease Co LLC	17,347,680	7	2.63%	n/a	-	n/a
Insteel Wire Products Co	14,635,990	8	2.22%	8,973,630	7	1.60%
Oxy Vinyls LP	13,251,740	9	2.01%	7,030,800	9	1.25%
Entergy Texas Inc	6,113,930	10	0.93%	n/a	-	n/a
Wells Fargo Bank Northwest NA	n/a	-	n/a	6,118,050	10	1.09%
Chevron Phillips	n/a	-	n/a	42,200,750	2	7.53%
Basell	n/a	-	n/a	24,579,870	4	4.38%
Sunoco (R&M) Inc.	n/a	-	n/a	17,989,400	5	3.21%
Innovene Wire Products Co	n/a	-	n/a	10,361,030	6	1.85%
Alabama Metal Industries	n/a	-	n/a	8,125,450	8	1.45%
Subtotal	234,325,540		35.58%	226,652,755		40.43%
Other Taxpayers	424,310,749		64.42%	333,943,856		59.57%
Total ⁽¹⁾	\$ 658,636,289		100.00%	\$ 560,596,611		100.00%

Source: Liberty County Appraisal District

(1) Net of exemptions and abatements

CITY OF DAYTON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year
2007	2006	\$ 0.6449	\$ 3,821,943
2008	2007	\$ 0.6349	\$ 4,806,066
2009	2008	\$ 0.6852	\$ 4,748,399
2010	2009	\$ 0.7256	\$ 4,481,991
2011	2010	\$ 0.7245	\$ 4,548,586
2012	2011	\$ 0.6304	\$ 4,701,368
2013	2012	\$ 0.6853	\$ 4,817,619
2014	2013	\$ 0.7229	\$ 4,904,072
2015	2014	\$ 0.6900	\$ 4,899,505
2016	2015	\$ 0.6800	\$ 5,088,985

Source: Liberty County Tax Office