



Comprehensive Annual Financial Report



2015-2016

City of Dayton, Texas

*Including Auditor's Report for the fiscal
year ended September 30, 2016*

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

CITY OF DAYTON, TEXAS

For the Year Ended
September 30, 2016

Prepared by:

Department of Finance and Administration

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CITY OF DAYTON, TEXAS

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INTRODUCTORY SECTION

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117 Cook St. • Dayton, Texas 77535 • Telephone - (936) 258-2642 • FAX - (936) 258-2348

March 30, 2017

Honorable Mayor and City Council
City of Dayton
117 Cook Street
Dayton, Texas 77535

Dear Mayor and Members of City Council:

The City of Dayton, Texas (the "City") is required to publish each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Dayton for the fiscal year ending September 30, 2016.

This report consists of management's representations concerning the finances of the City and deems the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of all City activities and funds. Therefore, management assumes full responsibility for the completeness and reliability of all information presented in this report. The City also acknowledges all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgements by management. We believe that the City's current system of internal controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

The City's financial statements have been audited by Belt Harris Pechacek, LLLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending September 30, 2016 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial presentation. Based on the audit, the independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that the financial statements for the year ending September 30, 2016 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

As required by GAAP, management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Strategic Direction

The City's vision, mission, and strategy clearly define for the City staff and the community what issues are most important to Dayton.

Vision. The City of Dayton will be a prosperous and fiscally sound, family-oriented community with a full range of housing, business, cultural, and recreational opportunities in a safe and attractive environment for residents and visitors.

Mission. The City of Dayton is committed to working with citizens to preserve a sense of community and enhance the quality of life by providing friendly, personalized services for the safety and well-being of our diverse City, its natural resources, and environment in a fiscally responsible manner.

To accomplish our mission, we will commit to the following principles:

- **Fiscal Responsibility** – Continue fiscally sound local government practices through active budget controls and a focus on strategic planning within the community.
- **Public Safety** – Provide a safe and secure environment resulting from a partnership between Dayton residents and the Police Department and Volunteer Fire Personnel.
- **Emergency Preparedness** – Our Emergency Management plan is complete and all essential City staff members are in compliance with National Incident Management System standards.
- **Residential Development** – The City will work with developers to create quality housing for the increased residential needs of the community.
- **Economic Development** – The City will focus economic development efforts on increasing the commercial tax base through the attraction of companies and the expansion of existing businesses.
- **Quality Public Infrastructure and Recreational Facilities** – Provide continual cost-effective maintenance and upgrades of streets, municipal utilities, and other municipal-owned facilities to meet the service and capacity requirements of the community.

Profile of the Government

The City of Dayton resides on U.S. Highway 90, six miles west of Liberty in southwestern Liberty County; was first called West Liberty; and was considered part of the original town of Liberty, founded in 1831. Dayton was recorded as an incorporated municipality on May 3, 1911. As of September 30, 2016, the City had a land area of 17.4 square miles and an estimated population of approximately 7,672. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statutes to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Dayton has adopted a Home Rule form of government. The Council is comprised of a Mayor and five Council members. The Mayor and Council members are all elected at large for two-year terms. Elections are staggered with the Mayor and two Council members elected together in odd years and the three remaining members in the following even year. The City Manager is appointed by the Council and is responsible for implementation of Council policy and all day-to-day operations of the City.

The City provides a full range of municipal services including public safety (police and fire protection), residential solid waste sanitation services, water and wastewater services, public improvements, repair and maintenance of infrastructure, recreational and community activities, and general administrative services. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government.

In accordance with standards established by the Governmental Accounting Standards Board, the City reports all funds and account groups for which the City, as the primary government, is accountable.

Local Economy

The Texas unemployment rate at 4.8 percent is lower than the U.S. unemployment rate of 4.9 percent. Liberty County has a slightly higher unemployment rate of 8.2 percent.

	2016	2015	2014
United States	4.9%	5.0%	5.5%
Texas	4.8%	4.5%	4.5%
Dayton-Liberty	8.2%	6.9%	7.1%

Long-Term Financial Planning

Capital improvement projects are funded with general governmental revenues and proceeds of general obligation and certificates of obligation debt issues. The City annually adopts a Five-Year Capital Improvement Plan and regularly prepares short-term improvement plans for water, wastewater, drainage, municipal facilities, and parks. These plans are prepared by staff and presented to the City Council for review and acceptance. The plans require funding sources to be identified for each project.

For the last several years, the annual budget of the City has been able to maintain its infrastructure base for streets, water and wastewater systems, and municipal facilities through an aggressive maintenance and improvement program. A portion of general fund revenues is typically allocated to the Capital Improvement Plan each year. Debt is issued when necessary to finance long-term capital improvements.

While the economy has improved, continuing instability in the oil futures and its direct impact on our largest of sales tax payers reinforces the City's commitment to retain large cash reserves on hand to thwart any future fiscal crisis. As interest rates improve, the City's goal is to take greater advantage of the market to help diversify our investment portfolio.

Major Initiatives

In the 2015-2016 fiscal year, the City of Dayton continued construction of its new Public Safety Facility complex. This multipurpose site will become the new headquarters for the Dayton Municipal Court, Police Department, and Dayton Volunteer Fire Department. Three new industries have made Dayton, Texas their home. Roll-Lift, Inc., Wachter, Inc., and Sumiden Wire Products, Inc. have begun construction of facilities on Highway 146 and FM1960 with completions expected by the summer of 2017.

Acknowledgements

The preparation of the CAFR was made possible by the dedicated service of the entire administration. We appreciate the efforts of everyone involved. In closing, without the leadership and support of the Dayton Council, preparation of this report would not have been possible.

Respectfully submitted,



David Douglas
City Manager



Rudy Zepeda
Assistant City Manager / CFO

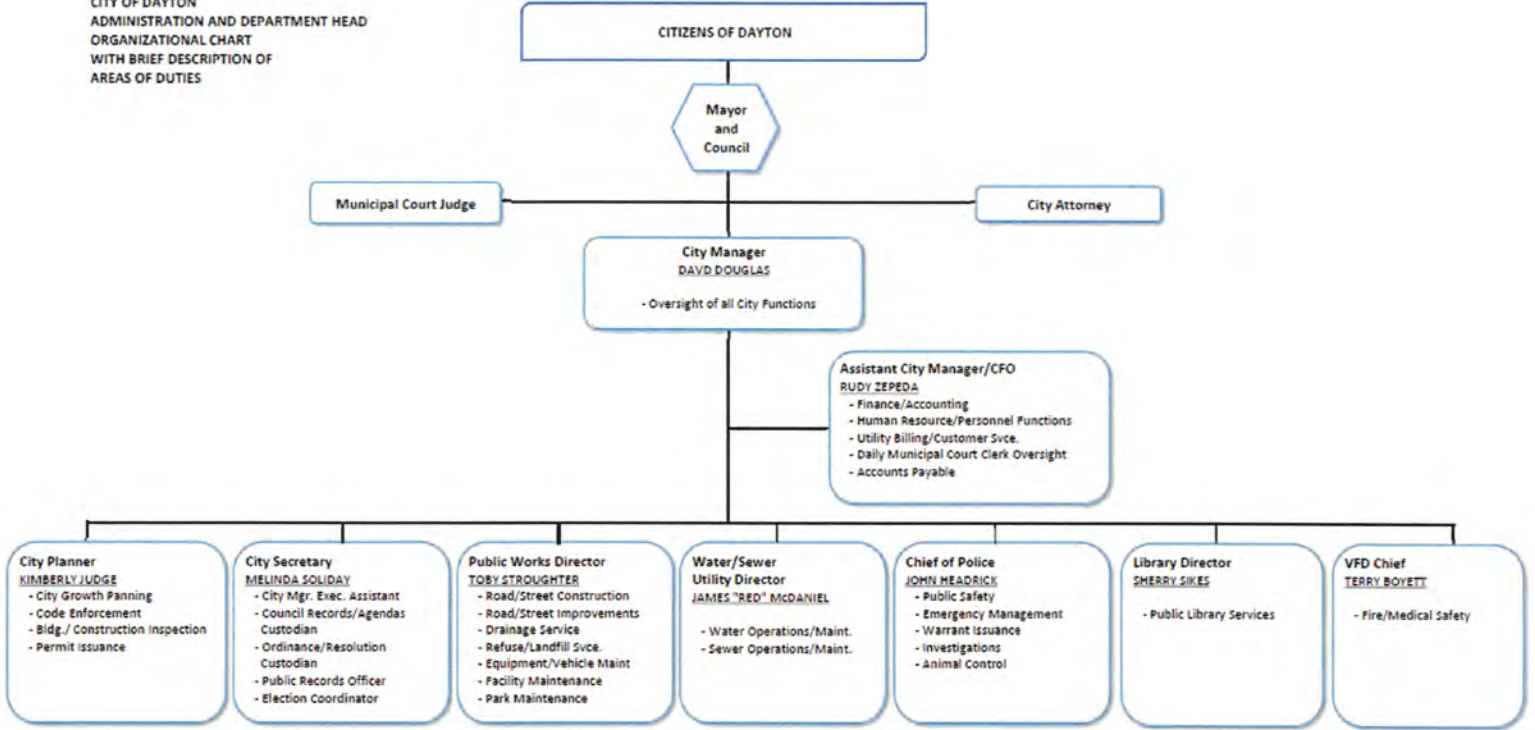
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CITY OF DAYTON, TEXAS

ORGANIZATIONAL CHART

September 30, 2016

CITY OF DAYTON
 ADMINISTRATION AND DEPARTMENT HEAD
 ORGANIZATIONAL CHART
 WITH BRIEF DESCRIPTION OF
 AREAS OF DUTIES



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CITY OF DAYTON, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2016

Elected Officials	Position
Jeff Lambright	Mayor
Dr. John S Johnson	City Councilmember
Josh Townsend	City Councilmember
Sherial L. Lawson	City Councilmember
Troy Barton	City Councilmember
Appointed Officials	Position
David Douglas	City Manager
Charles Carden	Park Board Trustees
David Parker	Park Board Trustees
Howie Howeth	Park Board Trustees
Gala Robinson	Park Board Trustees
Connie Lehan	Park Board Trustees
Wendy Null	Planning Commission
Danny Jones	Planning Commission
Bob Edwards	Planning Commission
Eliza Mae Guidry	Planning Commission
Isaac Love	Planning Commission
Sharron Stovall	Planning Commission
Betty Tankersley	Planning Commission
Earnest Jones	Library Trustees
Margaret Black	Library Trustees
Renee DiSabatino	Library Trustees
Sherry Graves	Library Trustees
Kathie Laza	Library Trustees
Lynn Sturrock	Library Trustees
PamTurne	Library Trustees
Caroline Wadzeck	Library Trustees
Lisa Westcott	Library Trustees
Margaret Cantrell	Housing Authority
Tony De La Cruz	Housing Authority
Mike Graves	Housing Authority
Adam Piserelle	Housing Authority
Paula Sanchez	Housing Authority

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Dayton, Texas:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of the City's proportionate share of net pension liability, and schedules of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements, individual fund schedule, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

 BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 30, 2017

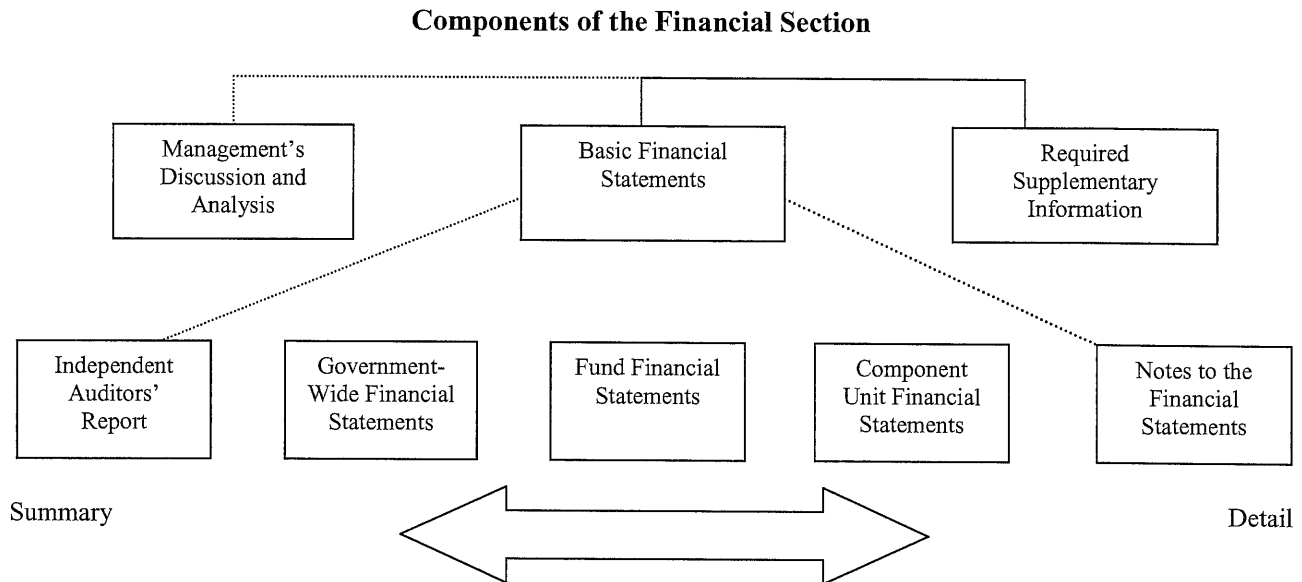
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF DAYTON, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

The purpose of the Management’s Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Dayton, Texas (the “City”) for the year ending September 30, 2016. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City’s activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City’s financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City’s basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City’s financial statements, report information on the City’s activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City’s assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City’s property tax base and the condition of the City’s infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City’s net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

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

occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including public safety (police, fire, and EMS), public works (street and park maintenance), culture and recreation, community enhancement, and general administration (City manager, City secretary, finance, human resources, and information technology). Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution, wastewater collection/treatment, and refuse services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate community development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund which are considered to be major funds for reporting purposes.

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

The City adopts an annual appropriated budget for its general fund, debt service fund, and hotel and motel tax fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains two types of proprietary funds: enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, water and sewer impact, water construction operations, and refuse services. The proprietary fund financial statements provide separate information for the water and sewer fund and refuse fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its employees benefit program. Because these services predominantly benefit governmental rather than business-type functions, this has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, schedule of changes in net pension liability and related ratios, schedule of the City's proportionate share of the net pension liability, and schedules of contributions for the Texas Municipal Retirement System and the Texas Emergency Services Retirement System. RSI can be found after the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$27,373,861, as of September 30, 2016 for the primary government.

A portion of the City's net position, \$15,530,944, reflects its investments in capital assets (e.g., land, City hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

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

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 15,084,114	\$ 3,994,332	\$ 19,078,446	\$ 17,128,628	\$ 3,633,080	\$ 20,761,708
Capital assets, net	20,179,152	16,606,694	36,785,846	17,648,349	17,496,397	35,144,746
Total Assets	35,263,266	20,601,026	55,864,292	34,776,977	21,129,477	55,906,454
Deferred charge on refunding	1,582	-	1,582	2,373	-	2,373
Deferred outflows - pensions	586,915	135,368	722,283	179,673	39,376	219,049
Total Deferred Outflows of Resources	588,497	135,368	723,865	182,046	39,376	221,422
Other liabilities	1,174,236	528,800	1,703,036	430,418	272,880	703,298
Long-term liabilities	19,653,938	7,847,868	27,501,806	20,516,485	7,784,302	28,300,787
Total Liabilities	20,828,174	8,376,668	29,204,842	20,946,903	8,057,182	29,004,085
Deferred inflows - pensions	7,585	1,869	9,454	25,681	2,778	-
Total Deferred Inflows of Resources	7,585	1,869	9,454	25,681	2,778	-
Net Position:						
Net investment in capital assets	6,558,718	8,972,226	15,530,944	4,566,453	9,839,516	14,405,969
Restricted	6,344,697	-	6,344,697	9,063,490	-	9,063,490
Unrestricted	2,112,589	3,385,631	5,498,220	356,496	3,269,377	3,625,873
Total Net Position	\$ 15,016,004	\$ 12,357,857	\$ 27,373,861	\$ 13,986,439	\$ 13,108,893	\$ 27,095,332

A portion of the City's net position, \$1,964,643 or 7.2 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$5,498,220, may be used to meet the City's ongoing obligation to citizens and creditors. The City's total net position increased by \$278,529 as compared to the prior year.

Compared to the prior year, current assets decreased by \$1,683,262 while noncurrent assets increased \$1,641,100. These variances are largely attributable to current year capital projects. The decrease in current assets was partially offset by an increase in prepaid items related to an insurance contract. Current liabilities increased \$999,738 compared to the prior year due to an increase in accounts payable related to construction projects and the timing of when invoices were received and paid.

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

Statement of Activities:

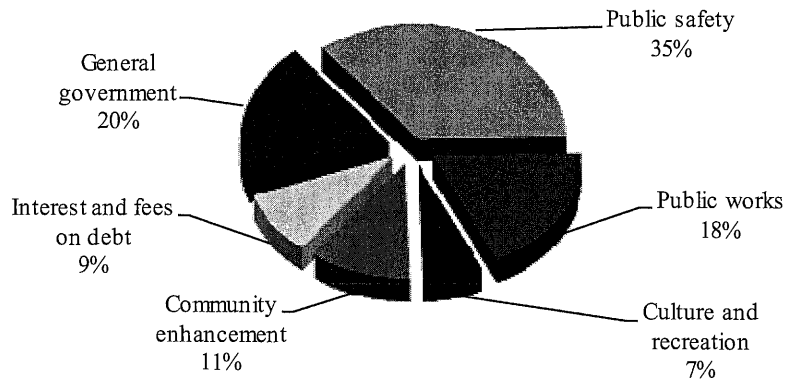
The following table provides a summary of the City's changes in net position:

	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

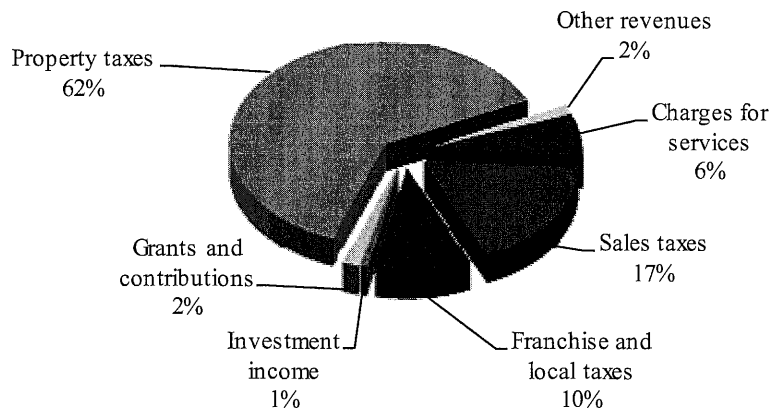
CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
 For the Year Ended September 30, 2016

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

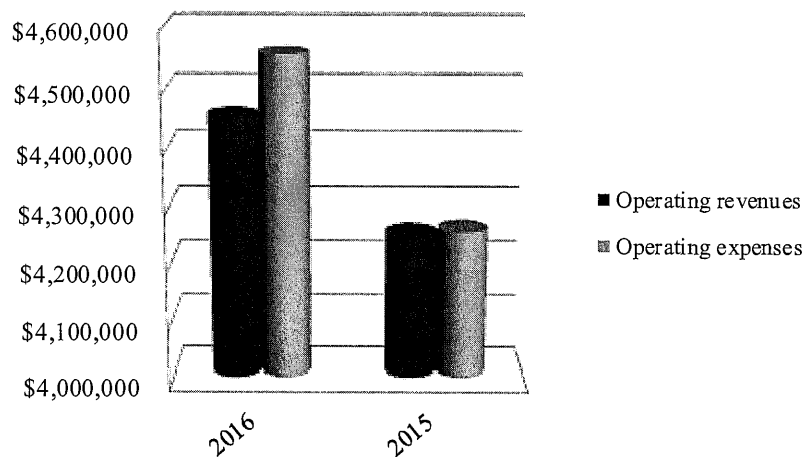
Governmental Activities - Expenses



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
<u>Assets</u>				
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
<u>Deferred Outflows of Resources</u>				
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
<u>Liabilities</u>				
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
<u>Deferred Inflows of Resources</u>				
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
<u>Net Position</u>				
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	7,871,629	523,725	140,542
Business-Type Activities			
Water and sewer	3,625,937	3,363,188	-
Refuse	932,668	1,091,873	-
Total Business-Type Activities	4,558,605	4,455,061	-
Total Primary Government	\$ 12,430,234	\$ 4,978,786	\$ 140,542
Component Unit			
Dayton Community Development Corporation	\$ 501,203	\$ -	\$ -
		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	-
<u>-</u>	<u>(103,544)</u>	<u>(103,544)</u>	<u>-</u>
<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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>
<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
\$ 15,086,765

\$ 1,054,937
7,228
1,062,165

654,218

98,181

1,739,750

30,821

4,380,054

62,650

131,422

1,232

6,926,272

13,370,382

\$ 15,086,765

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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

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Nonmajor Funds</u>
Revenues				
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>
Expenditures				
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>
Other Financing Sources				
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
8,191,418

1,653,271
5,206,802
1,381,066
549,252
305,327
365,995
147,087

1,347,519
782,300

11,738,619

(3,547,201)

693,928

693,928

(2,853,273)

16,223,655

\$ 13,370,382

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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)
<p>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.</p>	
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
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)
<p>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.</p>	
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

See Notes to Financial Statements.

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CITY OF DAYTON, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2016

	<u>Water and Sewer</u>	<u>Refuse</u>	<u>Total Proprietary Funds</u>	<u>Governmental Activities Internal Service</u>
<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.

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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	3,395,656	1,094,312	4,489,968	933,496
<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	3,224,487	932,668	4,157,155	934,484
Operating Income (Loss)	171,169	161,644	332,813	(988)
<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)	(393,875)	3,954	(389,921)	106
Income (Loss) Before Transfers	(222,706)	165,598	(57,108)	(882)
<u>Transfers</u>				
Transfers (out)	(428,928)	(265,000)	(693,928)	-
Total Transfers	(428,928)	(265,000)	(693,928)	-
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	\$ 11,167,600	\$ 1,190,257	\$ 12,357,857	\$ 1,323

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	1,740,241	268,048	2,008,289	196
<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	(428,928)	(265,000)	(693,928)	-
<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	(814,504)	(135,000)	(949,504)	-
<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	4,658	3,954	8,612	106
Net Increase (Decrease) in Cash and Cash Equivalents	501,467	(127,998)	373,469	302
Beginning cash and cash equivalents	997,299	1,139,789	2,137,088	3,287
Ending Cash and Cash Equivalents	\$ 1,498,766	\$ 1,011,791	\$ 2,510,557	\$ 3,589
<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	\$ 1,498,766	\$ 1,011,791	\$ 2,510,557	\$ 3,589

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	\$ 7,255,808	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	\$ 1,745,241	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:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Component Unit</u>
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>

	<u>Water and Sewer</u>	<u>Refuse</u>	<u>Internal Service</u>
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:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ (Reclasses)</u>	<u>Ending Balance</u>
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	16,242,791	(27,077)	-	16,215,714
Governmental Activities Capital Assets, Net	<u>\$ 17,648,349</u>	<u>\$ 2,530,803</u>	<u>\$ -</u>	<u>20,179,152</u>
				(18,702,624)
				5,080,608
				1,582
				<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	17,388,989	(1,033,905)	-	16,355,084
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:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
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:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Balance</u>
<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
		\$ 47,796

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.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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:

	2015	2016
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/yrs 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	175

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>	Pension Expense
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	\$ 111,773

**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 TERSRS'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 TERSRS 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.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
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

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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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
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	<u>6,457,600</u>	<u>6,690,112</u>	<u>6,329,676</u>	<u>(360,436)</u>
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	<u>1,567,660</u>	<u>1,768,226</u>	<u>1,653,271</u>	<u>114,955</u>
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	<u>2,480,954</u>	<u>2,647,433</u>	<u>2,581,842</u>	<u>65,591</u>
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	<u>1,408,851</u>	<u>1,417,032</u>	<u>1,381,066</u>	<u>35,966</u>
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	<u>613,974</u>	<u>606,594</u>	<u>549,252</u>	<u>57,342</u>
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	<u>43,259</u>	<u>43,259</u>	<u>43,259</u>	<u>-</u>
Total Expenditures	<u>6,676,468</u>	<u>7,059,878</u>	<u>6,775,728</u>	<u>284,150</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(218,868)</u>	<u>(369,766)</u>	<u>(446,052)</u>	<u>(76,286)</u>
Other Financing Sources (Uses)				
Transfers in	265,000	265,000	265,000	-
Net Change in Fund Balance	<u>\$ 46,132</u>	<u>\$ (104,766)</u>	<u>(181,052)</u>	<u>\$ (76,286)</u>
Beginning fund balance			7,304,444	
Ending Fund Balance			<u>\$ 7,123,392</u>	

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

	<u>Measurement Year*</u>	
	<u>2014</u>	<u>2015</u>
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	<u>\$ 73,083</u>	<u>\$ 111,773</u>
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	<u>13,644</u>	<u>14,852</u>	<u>17,342</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</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	429,678	429,678	428,928	(750)
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>	68,306	<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 Governmental Funds</u>
	<u>Hotel and Motel Tax</u>	<u>Community Development</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	264,471	-	264,471
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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
<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>	(133,049)	<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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 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>\$ 6,923,923</u>	<u>\$ 9,180,460</u>	<u>\$ 8,444,346</u>	<u>\$ 10,514,748</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	<u>338,930</u>	<u>1,340,690</u>	<u>407,575</u>	<u>687,643</u>
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	<u>3,356,821</u>	<u>3,931,345</u>	<u>3,925,100</u>	<u>3,895,300</u>
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>\$ 3,695,751</u>	<u>\$ 5,272,035</u>	<u>\$ 4,332,675</u>	<u>\$ 4,582,943</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>\$ (3,228,172)</u>	<u>\$ (3,908,425)</u>	<u>\$ (4,111,671)</u>	<u>\$ (5,931,805)</u>

Fiscal Year

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	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
	<u>6,672,588</u>	<u>6,324,286</u>	<u>6,366,721</u>	<u>6,449,212</u>	<u>6,966,519</u>	<u>7,871,629</u>
	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
	<u>4,011,092</u>	<u>3,991,338</u>	<u>3,857,470</u>	<u>4,007,843</u>	<u>4,257,420</u>	<u>4,558,605</u>
\$	<u>10,683,680</u>	<u>10,315,624</u>	<u>10,224,191</u>	<u>10,457,055</u>	<u>11,223,939</u>	<u>12,430,234</u>
\$	447,569	\$ 380,974	\$ 421,610	\$ 391,963	\$ 415,984	\$ 429,698
	36,572	28,625	48,008	64,802	55,531	94,027
	<u>1,042,973</u>	<u>493,848</u>	<u>125,638</u>	<u>610,798</u>	<u>56,029</u>	<u>140,542</u>
	<u>1,527,114</u>	<u>903,447</u>	<u>595,256</u>	<u>1,067,563</u>	<u>527,544</u>	<u>664,267</u>
	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	-	-	-	-	-
	<u>4,652,491</u>	<u>4,233,827</u>	<u>4,105,628</u>	<u>4,125,476</u>	<u>4,251,178</u>	<u>4,455,061</u>
\$	<u>6,179,605</u>	<u>5,137,274</u>	<u>4,700,884</u>	<u>5,193,039</u>	<u>4,778,722</u>	<u>5,119,328</u>
\$	(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)
\$	<u>(4,504,075)</u>	<u>(5,178,350)</u>	<u>(5,523,307)</u>	<u>(5,264,016)</u>	<u>(6,445,217)</u>	<u>(7,310,906)</u>

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	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)
	<u>(82,977)</u>	<u>(359,301)</u>	<u>(1,094,274)</u>	<u>90,060</u>	<u>253,630</u>	<u>(647,492)</u>
\$	<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)

<u>Function</u>	<u>Fiscal Year</u>			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
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	<u>\$ 5,071,253</u>	<u>\$ 5,391,297</u>	<u>\$ 6,280,882</u>	<u>\$ 6,054,466</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
<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>\$ 3,957,873</u>	<u>\$ 3,707,180</u>	<u>\$ 3,841,545</u>	<u>\$ 4,086,150</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>\$ 1,076,526</u>	<u>\$ 14,581,553</u>	<u>\$ 6,363,104</u>	<u>\$ 3,263,127</u>

Fiscal Year

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 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
	<u>7,872,100</u>	<u>7,549,351</u>	<u>7,554,164</u>	<u>8,483,536</u>	<u>8,361,724</u>	<u>8,191,418</u>
	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
	<u>8,273,037</u>	<u>8,994,887</u>	<u>7,730,316</u>	<u>7,892,588</u>	<u>8,192,039</u>	<u>11,738,619</u>
	(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)	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>491,934</u>	<u>484,611</u>	<u>1,110,267</u>	<u>425,225</u>	<u>6,905,175</u>	<u>693,928</u>
\$	<u>90,997</u>	<u>(960,925)</u>	<u>934,115</u>	<u>\$ 1,016,173</u>	<u>\$ 7,074,860</u>	<u>\$ (2,853,273)</u>
	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	<u>127,944,315</u>	<u>153,327,272</u>	<u>175,203,872</u>	<u>192,768,814</u>
Total Taxable Assessed Valuation (1)	<u>\$ 597,057,442</u>	<u>\$ 697,035,920</u>	<u>\$ 651,455,782</u>	<u>\$ 618,659,719</u>
 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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 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
\$ 716,009,829	\$ 677,696,574	\$ 654,746,879	\$ 713,035,457	\$ 754,019,764	\$ 658,636,289
\$ 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	\$ 0.6449	\$ 0.6349	\$ 0.6852	\$ 0.7256
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)	\$ 2.283600	\$ 1.961300	\$ 1.945800	\$ 1.937900
Total Assessed Valuation	\$ 597,057,442	\$ 697,035,920	\$ 651,455,782	\$ 618,659,719

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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 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>

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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	<u>234,325,540</u>		<u>35.58%</u>	<u>226,652,755</u>		<u>40.43%</u>
Other Taxpayers	<u>424,310,749</u>		<u>64.42%</u>	<u>333,943,856</u>		<u>59.57%</u>
Total ⁽¹⁾	<u><u>\$ 658,636,289</u></u>		<u><u>100.00%</u></u>	<u><u>\$ 560,596,611</u></u>		<u><u>100.00%</u></u>

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

Collected Within the Fiscal Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
Amount Collected	Percentage of Levy	Amount Collected	Amount Collected	Percentage of Levy
\$ 3,584,333	93.78%	\$ 217,296	\$ 3,801,629	99.47%
\$ 3,790,057	78.86%	\$ 989,036	\$ 4,779,093	99.44%
\$ 4,628,535	97.48%	\$ 85,607	\$ 4,714,142	99.28%
\$ 4,385,718	97.85%	\$ 48,934	\$ 4,434,652	98.94%
\$ 4,307,302	94.70%	\$ 183,139	\$ 4,490,441	98.72%
\$ 4,506,192	95.85%	\$ 142,648	\$ 4,648,840	98.88%
\$ 4,641,604	96.35%	\$ 119,005	\$ 4,760,609	98.82%
\$ 4,591,742	93.63%	\$ 241,592	\$ 4,833,334	98.56%
\$ 4,779,250	97.55%	\$ 41,617	\$ 4,820,867	98.39%
\$ 4,968,991	98.14%	\$ -	\$ 4,968,991	97.64%

CITY OF DAYTON, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities:				
General obligation bonds	\$ 2,700,000	\$ 16,515,000	\$ 16,190,000	\$ 15,860,000
Certificates of obligation	2,642,700	1,360,000	1,105,000	840,000
Tax anticipation notes	665,000	1,000,000	2,565,000	1,960,000
Capital leases	153,969	105,204	193,711	111,705
Premiums	-	241,680	226,831	211,982
Less deferred amounts	-	(7,911)	(7,120)	(6,329)
Subtotal	<u>6,161,669</u>	<u>19,213,973</u>	<u>20,273,422</u>	<u>18,977,358</u>
Business-Type Activities:				
General obligation bonds	-	-	-	-
Certificates of obligation	8,500,000	8,500,000	8,400,000	8,290,000
Capital leases	25,898	-	-	-
Premiums	-	-	-	-
Subtotal	<u>8,525,898</u>	<u>8,500,000</u>	<u>8,400,000</u>	<u>8,290,000</u>
Government-Wide:				
General obligation bonds	2,700,000	16,515,000	16,190,000	15,860,000
Certificates of obligation	11,142,700	9,860,000	9,505,000	9,130,000
Tax anticipation notes	665,000	1,000,000	2,565,000	1,960,000
Capital leases	179,867	105,204	193,711	111,705
Premiums	-	241,680	226,831	211,982
Less deferred amounts	-	(7,911)	(7,120)	(6,329)
Total Government-Wide	<u>\$ 14,687,567</u>	<u>\$ 27,713,973</u>	<u>\$ 28,673,422</u>	<u>\$ 27,267,358</u>
Estimated Full Property Value	\$ 725,001,757	\$ 850,363,192	\$ 826,659,654	\$ 811,428,533
Percentage of Full Property Value:				
Governmental activities	0.85%	2.26%	2.45%	2.34%
Business-type activities	1.18%	1.00%	1.02%	1.02%
Government-wide	2.03%	3.26%	3.47%	3.36%
Population	8,087	7,774	7,441	7,242
Debt Per Capita:				
Governmental activities	\$ 762	\$ 2,472	\$ 2,725	\$ 2,620
Business-type activities	\$ 1,054	\$ 1,093	\$ 1,129	\$ 1,145
Government-wide	\$ 1,816	\$ 3,565	\$ 3,853	\$ 3,765

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

Fiscal Year						
2011	2012	2013	2014	2015	2016	
\$ 15,520,000	\$ 14,825,000	\$ 14,110,000	\$ 13,120,000	\$ 12,095,000	\$ 11,025,000	
570,000	290,000	-	-	6,990,000	6,860,000	
1,340,000	1,725,000	1,395,000	940,000	470,000	355,000	
358,436	309,248	281,053	251,485	220,476	187,957	
197,133	185,537	173,941	162,345	293,596	274,667	
(5,537)	(4,745)	-	-	-	-	
<u>17,980,032</u>	<u>17,330,040</u>	<u>15,959,994</u>	<u>14,473,830</u>	<u>20,069,072</u>	<u>18,702,624</u>	
-	-	-	-	-	6,880,000	
8,175,000	8,060,000	7,940,000	7,820,000	7,690,000	195,000	
-	-	-	-	-	-	
-	-	-	-	-	559,468	
<u>8,175,000</u>	<u>8,060,000</u>	<u>7,940,000</u>	<u>7,820,000</u>	<u>7,690,000</u>	<u>7,634,468</u>	
15,520,000	14,825,000	14,110,000	13,120,000	12,095,000	17,905,000	
8,745,000	8,350,000	7,940,000	7,820,000	14,680,000	7,055,000	
1,340,000	1,725,000	1,395,000	940,000	470,000	355,000	
358,436	309,248	281,053	251,485	220,476	187,957	
197,133	185,537	173,941	162,345	293,596	834,135	
(5,537)	(4,745)	-	-	-	-	
<u>\$ 26,155,032</u>	<u>\$ 25,390,040</u>	<u>\$ 23,899,994</u>	<u>\$ 22,293,830</u>	<u>\$ 27,759,072</u>	<u>\$ 26,337,092</u>	
\$ 909,309,321	\$ 865,936,099	\$ 842,289,486	\$ 902,490,702	\$ 957,396,185	\$ 873,535,234	
1.98%	2.00%	1.89%	1.60%	2.10%	2.14%	
0.90%	0.93%	0.94%	0.87%	0.80%	0.87%	
2.88%	2.93%	2.84%	2.47%	2.90%	3.02%	
7,297	7,340	7,390	7,418	7,620	7,725	
\$ 2,464	\$ 2,361	\$ 2,160	\$ 1,951	\$ 2,634	\$ 2,421	
\$ 1,120	\$ 1,098	\$ 1,074	\$ 1,054	\$ 1,009	\$ 988	
\$ 3,584	\$ 3,459	\$ 3,234	\$ 3,005	\$ 3,643	\$ 3,409	

CITY OF DAYTON, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Estimated Actual Taxable Value of Property	\$ 597,057,442	\$ 697,035,920	\$ 651,455,782	\$ 618,659,719
General obligation bonds	\$ 2,700,000	\$ 16,515,000	\$ 16,190,000	\$ 15,860,000
Certificates of obligation	11,142,700	9,860,000	9,505,000	9,130,000
Tax anticipation notes	665,000	1,000,000	2,565,000	1,960,000
Capital leases	153,969	105,204	193,711	111,705
Premiums	-	241,680	226,831	211,982
Less: amounts available in debt service fund	1,038,982	1,123,687	1,194,865	1,440,671
Total	<u>\$ 13,622,687</u>	<u>\$ 26,598,197</u>	<u>\$ 27,485,677</u>	<u>\$ 25,833,016</u>
Percentage of Estimated Actual Taxable Value of Property	2.28%	3.82%	4.22%	4.18%
Population	8,431	8,087	7,774	7,441
Per Capita	\$ 1,616	\$ 3,289	\$ 3,536	\$ 3,472

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 716,009,829	\$ 677,696,574	\$ 654,746,879	\$ 713,035,457	\$ 754,019,764	\$ 658,636,289
\$ 15,520,000	\$ 14,825,000	\$ 14,110,000	\$ 13,120,000	\$ 12,095,000	\$ 11,025,000
8,745,000	8,350,000	7,940,000	7,820,000	6,990,000	6,860,000
1,340,000	1,725,000	1,395,000	940,000	470,000	355,000
358,436	309,248	281,053	251,485	220,476	187,957
197,133	185,537	173,941	162,345	293,596	274,667
1,475,771	1,532,577	1,461,402	1,582,429	1,671,444	1,721,722
<u>\$ 24,684,798</u>	<u>\$ 23,862,208</u>	<u>\$ 22,438,592</u>	<u>\$ 20,711,401</u>	<u>\$ 18,397,628</u>	<u>\$ 16,980,902</u>
3.45%	3.52%	3.43%	2.90%	2.44%	2.58%
7,242	7,297	7,340	7,390	7,418	7,725
\$ 3,409	\$ 3,270	\$ 3,057	\$ 2,803	\$ 2,480	\$ 2,198

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CITY OF DAYTON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2016

Government Unit	Debt Outstanding	Estimated Percentage Applicable*	Amount Applicable to Primary Government
Dayton ISD	\$ 23,993,000	45.46%	\$ 10,907,218
Liberty County	\$ 14,110,000	17.23%	2,431,153
Liberty ISD	\$ 15,495,000	0.04%	6,198
Subtotal, overlapping debt			13,344,569
City Direct Debt		100.00%	18,702,624
Total Direct and Overlapping Debt			\$ 32,047,193
Population			7,725
Overlapping Debt Per Capita			\$ 1,727
Direct and Overlapping Debt Per Capita			\$ 4,149

Source: Tax department records of the various governments.

* The "Estimated Percentage Applicable" is determined by dividing the City's certified taxable value within the taxing jurisdiction by the certified taxable value of the taxing jurisdiction.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account.

CITY OF DAYTON, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Debt limit ⁽¹⁾	\$ 59,705,744	\$ 69,703,592	\$ 65,145,578	\$ 61,865,972
Total net debt applicable to limit	13,468,718	26,492,993	27,291,966	25,721,311
Legal debt margin	\$ 46,237,026	\$ 43,210,599	\$ 37,853,612	\$ 36,144,661
 Total net debt applicable to the limit as a percentage of debt limit	 22.56%	 38.01%	 41.89%	 41.58%
 Legal Debt Margin Calculation				
Assessed value	\$ 597,057,442	\$ 697,035,920	\$ 651,455,782	\$ 618,659,719
Debt limit (10% of assessed value)	59,705,744	69,703,592	65,145,578	61,865,972
Debt applicable to limit:				
General obligation bonds	2,700,000	16,515,000	16,190,000	15,860,000
Certificates of obligation	11,142,700	9,860,000	9,505,000	9,130,000
Tax anticipation notes	665,000	1,000,000	2,565,000	1,960,000
Premiums	-	241,680	226,831	211,982
Less: amount set aside for repayment of general obligation debt	(1,038,982)	(1,123,687)	(1,194,865)	(1,440,671)
Total net debt applicable to limit	13,468,718	26,492,993	27,291,966	25,721,311
Legal debt margin	\$ 46,237,026	\$ 43,210,599	\$ 37,853,612	\$ 36,144,661

(1) There is no debt limit established by law; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt. The Attorney General of the State of Texas will not approve more than \$1.00 of the tax rate for debt service. The City's maximum legal tax rate is \$2.50 per \$100 valuation assessed at 100% of the market value. Ten percent of the assessed value has been applied as a "rule of thumb" procedure.

Fiscal Year

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 71,600,983	\$ 67,769,657	\$ 65,474,688	\$ 71,303,546	\$ 71,303,546	\$ 65,863,629
24,326,362	23,552,960	22,157,539	20,459,916	25,867,152	24,427,413
<u>\$ 47,274,621</u>	<u>\$ 44,216,697</u>	<u>\$ 43,317,149</u>	<u>\$ 50,843,630</u>	<u>\$ 45,436,394</u>	<u>\$ 41,436,216</u>
33.97%	34.75%	33.84%	28.69%	36.28%	37.09%
\$ 716,009,829	\$ 677,696,574	\$ 654,746,879	\$ 713,035,457	\$ 713,035,457	\$ 658,636,289
71,600,983	67,769,657	65,474,688	71,303,546	71,303,546	65,863,629
15,520,000	14,825,000	14,110,000	13,120,000	12,095,000	17,905,000
8,745,000	8,350,000	7,940,000	7,820,000	14,680,000	7,055,000
1,340,000	1,725,000	1,395,000	940,000	470,000	355,000
197,133	185,537	173,941	162,345	293,596	834,135
(1,475,771)	(1,532,577)	(1,461,402)	(1,582,429)	(1,671,444)	(1,721,722)
24,326,362	23,552,960	22,157,539	20,459,916	25,867,152	24,427,413
<u>\$ 47,274,621</u>	<u>\$ 44,216,697</u>	<u>\$ 43,317,149</u>	<u>\$ 50,843,630</u>	<u>\$ 45,436,394</u>	<u>\$ 41,436,216</u>

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CITY OF DAYTON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

Fiscal Year Ended Sept. 30	Population⁽¹⁾	Personal Income⁽²⁾	Per Capita Personal Income⁽²⁾	Median Age⁽²⁾	Public School Enrollment⁽³⁾	Unemployment Rate⁽⁴⁾	Education Level in Years of Formal Schooling⁽⁵⁾
2007	8,087	\$ 2,296,722	\$ 30,822	n/a	4,849	5.3%	n/a
2008	7,774	\$ 2,452,877	\$ 32,742	n/a	4,748	6.0%	n/a
2009	7,441	\$ 2,408,044	\$ 32,090	35.3	4,889	10.0%	9.6%
2010	7,242	\$ 2,446,339	\$ 32,261	34.5	4,906	11.1%	9.2%
2011	7,297	\$ 2,597,775	\$ 34,209	33.3	4,945	10.7%	11.5%
2012	7,340	\$ 2,778,585	\$ 36,393	33.7	5,067	9.0%	12.9%
2013	7,390	\$ 2,830,077	\$ 36,799	32.4	5,069	8.1%	11.3%
2014	7,418	\$ 2,721,537	\$ 34,839	35.6	5,137	6.5%	n/a
2015	7,620	n/a	n/a	33.0	5,204	7.1%	n/a
2016	7,725	\$ 2,721,537	\$ 23,269	35.9	5,382	8.5%	9.0%

Data sources:

- (1) City of Dayton Planning Department
- (2) CDS Market Research/Claritas Survey/ESRI Data Source
- (3) Dayton ISD
- (4) Texas Workforce Commission
- (5) Percentage of population with Bachelor's degree or higher

Note: Personal income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the start of the school year.

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CITY OF DAYTON, TEXAS

PRINCIPAL EMPLOYERS

Current Year ⁽²⁾

Employer	2016		
	Employees	Percentage of Total Employment ⁽¹⁾	Rank
Dayton Independent School District	765	1.16%	1
Global Tubing	150	0.23%	2
Dayton Leasing and Supply	140	0.21%	3
Insteel Wire	103	0.16%	4
City of Dayton	99	0.15%	5
Sam's Distribution	66	0.10%	6
Huntsman Chemical	62	0.09%	7
Harris Rebar LLC	50	0.08%	8
Fabrication and Construction Serices	46	0.07%	9
Amico - Klemp	32	0.05%	10
	1,513	2.29%	

(1) Percentage of total employment is based on total employment of 66,171

(2) The requirement is for the current year and nine years ago, however, only the current year is available at this time.

Source: Human Resource Department of each company

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CITY OF DAYTON, TEXAS
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
Last Ten Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Governmental Activities:</u>										
General government	10.00	13.00	13.00	14.25	13.25	14.00	14.00	14.00	15.00	13.00
Public safety	19.00	21.00	23.00	24.00	25.00	24.00	26.00	26.00	28.00	29.00
Public works	11.00	12.50	9.50	10.50	13.50	11.50	13.50	13.50	13.50	14.00
Culture and recreation	-	-	-	0.75	1.75	2.75	3.00	4.00	4.00	9.00
Facility maintenance	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	4.00
<u>Business-Type Activities:</u>										
Water and sewer	11.00	9.25	14.50	16.50	15.50	15.75	15.50	16.50	16.50	18.00
Refuse	2.00	1.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-
Total City Positions	<u>54.00</u>	<u>59.00</u>	<u>63.00</u>	<u>69.00</u>	<u>72.00</u>	<u>71.00</u>	<u>75.00</u>	<u>77.00</u>	<u>80.00</u>	<u>87.00</u>

Source: City Finance Department

CITY OF DAYTON, TEXAS
OPERATING INDICATORS BY FUNCTION
 Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
City of Dayton				
Population	8,087	7,774	7,441	7,242
Budgeted full-time employees	54	59	63	69
Function				
Police				
Arrests	387	460	481	462
Accident reports	642	642	655	561
Citations	4,095	5,764	4,390	4,144
Offense reports	716	734	752	626
Calls for service	8,744	10,382	10,281	9,127
Municipal court				
Traffic violations	1,867	2,120	2,284	2,694
Non-traffic violations	2,594	3,871	2,106	1,450
Fire				
Emergency responses	404	461	398	427
Fire incidents	136	183	165	235
Average response time (min)†	8.5	8.5	8.5	8.5
Parks and recreation				
Recreation programs (\$)	\$ 16,902	\$ 15,490	\$ 15,759	\$ 17,235
Field and facility rentals (\$)	\$ 8,680	\$ 9,722	\$ 9,680	\$ 9,349
Community development				
Residential building permits issued	69	36	21	2
Residential building permits-value	\$ 6,869,667	\$ 4,006,450	\$ 2,740,189	\$ 95,000
Commercial building permits issued	2	7	10	3
Commercial building permits-value	\$ 199,900	\$ 3,813,425	\$ 8,720,600	\$ 881,500
Water				
Average daily gallons pumped-combined water (millions of gallons)	n/a	n/a	n/a	n/a
Average daily gallons pumped-surface water (millions of gallons)	n/a	n/a	n/a	n/a
Average daily gallons pumped-well water (millions of gallons)	1,206,805	1,421,871	1,374,191	1,512,147
Number of connections	2,403	2,429	2,447	2,434
Wastewater				
Average daily effluent treated (millions of gallons)	1.73	1.47	1.51	1.32
Number of connections	2,140	2,157	2,177	2,191

Source: Various City departments

† Source: Dayton Police Dept.

Fiscal Year

2011	2012	2013	2014	2015	2016
7,297	7,340	7,390	7,418	7,620	7,782
72	71	75	77	80	86
579	400	488	662	571	532
650	475	459	493	554	580
4,850	4,491	3,245	3,849	2,212	3,177
708	707	784	795	790	799
9,832	8,147	9,236	9,471	9,676	9,943
3,149	1,842	914	1,122	2,387	3,124
1,701	2,649	2,529	2,195	419	246
470	364	391	435	379	284
210	134	133	127	102	128
8.5	8.5	8.5	8.5	6.5	8.0
\$ 16,866	\$ 19,716	\$ 21,382	\$ 21,116	\$ 22,338	\$ 27,924
\$ 9,700	\$ 11,100	\$ 8,250	\$ 10,500	\$ 8,550	\$ 10,700
24	12	8	15	17	59
\$ 288,699	\$ 1,407,375	\$ 1,541,693	\$ 1,598,305	\$ 2,346,129	\$ 6,698,215
7	7	3	7	7	7
\$ 3,698,000	\$ 2,323,000	\$ 3,650,000	\$ 4,697,957	\$ 2,929,957	\$ 20,823,990
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
1,510,553	1,342,002	1,185,677	1,188,172	1,464,653	1,627,354
2,495	3,043	3,072	3,176	3,097	3,130
1.22	1.64	1.38	1.38	1.99	2.01
2,702	2,712	2,743	2,842	2,512	2,772

CITY OF DAYTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Years

Function	Fiscal Year			
	2007	2008	2009	2010
<u>General government</u>				
Municipal buildings	1	1	1	1
City vehicles	40	41	41	46
<u>Public safety</u>				
Police protection				
Stations	1	1	1	1
Fire protection				
Stations/drill field	1	1	1	1
Fire apparatus	1	1	1	1
<u>Public works</u>				
Streets (lane miles)	90.1	90.1	90.1	90.1
<u>Community services</u>				
Parks	4	4	5	5
Ball fields	1	1	1	1
Swimming pools	1	1	1	1
Park acreage developed	44.75	44.75	49.75	49.75
<u>Water</u>				
Water wells	3	3	3	3
Ground/elevated storage tanks	7	7	7	7
Water mains (miles)	64	64	64	64
Fire hydrants	900	900	900	900
<u>Wastewater</u>				
Wastewater treatment plants	1	1	1	1
Sanitary sewers (miles)	50	50	50	50
Sewer manholes	528	528	528	528

Source: Various City departments

Fiscal Year

2011	2012	2013	2014	2015	2016
1 48	1 52	1 52	1 54	1 54	1 55
1	1	1	1	1	1
1 1	1 1	1 1	1 1	3 10	3 10
90.1	90.1	90.1	90.1	90.1	90.1
5 1 1 49.75	5 1 1 49.75	5 1 1 49.75	5 1 1 49.75	5 1 1 49.75	5 1 1 49.75
3 7 64 900	3 6 64 900	3 6 64 900	3 6 64 900	3 6 64 905	3 6 65 910
1 50 528	1 50 528	1 50 528	1 50 528	1 50 528	1 51 532

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Required Auditor Disclosure Letter

March 30, 2017

To the Honorable Mayor and
City Council Members of the
City of Dayton, Texas:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, Texas, (the "City"), as of and for the year ended September 30, 2016. Professional standards require that we provide the City Council (the "governing body") with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit.

I. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 18, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the governing body's oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the governing body or management of its responsibilities.

II. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our engagement letter March 18, 2015.

III. Significant Audit Findings

I. Qualitative Aspects of Accounting Practices

- A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

- B. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on industry standards relating to capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Estimates are used in the calculation of the pension liability and the required annual contribution. The Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) hires a licensed actuary to make key assumptions and to perform calculations, as well as an independent auditor to review those assumptions and calculations. We evaluated the reasonableness of the employee data provided by the City to TMRS and TESRS.

- C. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in the financial statements is significant to financial statement users because it discloses the City's long-term financial obligations.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures.

4. Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 30, 2017.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

IV. Other Matters

We applied certain limited procedures to the Required Supplementary Information (RSI), as identified on the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

V. Restrictions on Use

This information is intended solely for the use of the Mayor, City Council, and management and is not intended to be, and should not be, used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: *City of Dayton, Texas*
 Engagement: *4.1 - Dayton 9/30/16*
 Period Ending: *9/30/2016*
 Trial Balance: *2.2.01 - TB*
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	Debit	Credit
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Adjusting Journal Entries JE # 1
 To correct fund balance due to posting from public safety fundraising.

100.00.3109	Fund Balance	17,637.52	
100.40.6320	Supplies & Materials		17,637.52
Total		17,637.52	17,637.52

Adjusting Journal Entries JE # 2
 To record payables in various funds from the search for unrecorded liabilities.

131.10.6450	Engineering/Professional Svces	15,988.00	
131.10.6454	Eng/Prof Svces Prop 2 - Street/Drainage	623,855.05	
501.10.6450	Engineering/Professional Svces	17,500.00	
131.00.2109	Reserve for Retainage		60,930.65
131.00.2110	Accounts Payable		15,988.00
131.00.2110	Accounts Payable		562,924.40
501.00.2110	Accounts Payable		17,500.00
Total		657,343.05	657,343.05

Adjusting Journal Entries JE # 3
 To reclass capital expenses to asset accounts, record depreciation, and reclass construction in progress expenses.

200.00.1514	Sewer Collection System	162,272.50	
200.00.1520	Equipment and Autos	29,447.95	
200.70.6601	Depreciation Expense	1,367,940.21	
210.00.1520	Equipment and Autos	135,000.00	
210.85.6601	Depreciation Expense	14,284.89	
200.00.1530	Accumulated Depreciation		1,367,940.21
200.70.6810	Capital Outlay		93,375.00
200.70.6833	Capital Outlay - New Vehicles		29,447.95
200.75.6514	Repairs: Water & Sewer Lines		68,897.50
210.00.1530	Accumulated Depreciation		14,284.89
210.85.6810	Capital Outlay		135,000.00
Total		1,708,945.55	1,708,945.55

Adjusting Journal Entries JE # 4
 To correct payables for municipal court as of 9/30/16.

100.00.2010	Omni Base-Muni Court	9,739.90	
100.00.2016	State TPDF	23.11	
100.00.2018	Indigent Defense Fund	475.13	
100.00.2113	Civil Justice Fee	28.71	
100.00.2184	Consolidated Court Cost	1,097.05	
100.00.2187	Time Payment Fee - State	326.08	
100.00.2194	State Traffic Fee	3,339.31	
100.00.2198	State SJRF	978.75	
100.00.2200	Judicial Support Fund	1,404.46	
100.00.5217	Court Fees		17,412.50
Total		17,412.50	17,412.50

Adjusting Journal Entries JE # 5
 To adjust sales tax revenue and receivable in DCDC fund.

100.00.2176	Due to Other Fund	118,668.05	
600.80.1290	Due Frm Other Funds	49,602.77	
600.80.1290	Due Frm Other Funds	150,853.33	
600.80.1291	Due from State	118,668.05	
100.00.1216	Accounts Receivable		118,668.05
600.80.1290	Due Frm Other Funds		118,668.05
600.80.1291	Due from State		150,853.33

Client: *City of Dayton, Texas*
 Engagement: *4.1 - Dayton 9/30/16*
 Period Ending: *9/30/2016*
 Trial Balance: *2.2.01 - TB*
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	Debit	Credit
600.80.5115	Sale & Use Tax		49,602.77
Total		437,792.20	437,792.20

Adjusting Journal Entries JE # 6

To recognize the net activity of the TMRS pension plan.

200.00.1460	Deferred Outflows - Pension	82,888.79	
200.00.2500	Deferred Inflows - Pension	1,067.96	
200.70.6111	Pension Expense	8,420.95	
200.75.6111	Pension Expense	11,385.44	
210.00.1460	Deferred Outflows - Pension	13,103.77	
210.85.6111	Pension Expense	3,674.28	
600.00.1460	Deferred Outflows - Pension	31,428.05	
600.80.6111	Pension Expense	8,429.77	
200.00.2800	Net Pension Liability		103,763.14
210.00.2500	Deferred Inflows - Pension		159.07
210.00.2800	Net Pension Liability		16,618.98
600.00.2500	Deferred Inflows - Pension		357.85
600.00.2800	Net Pension Liability		39,499.97
Total		160,399.01	160,399.01

Adjusting Journal Entries JE # 7

To adjust compensation leave payable in water and sewer fund.

200.00.2701	Compensated Absences Payable	1,285.32	
200.70.6102	Salaries		1,285.32
Total		1,285.32	1,285.32

Adjusting Journal Entries JE # 8

To adjust property tax receivable as of 9/30/16.

100.00.1213	Accounts Receivable Delinquent Taxes	5,233.45	
300.00.1213	Accounts Receivable Delinquent Taxes	5,417.14	
100.00.2182	Deferred Revenue		5,233.45
300.00.2182	Deferred Revenue		5,417.14
Total		10,650.59	10,650.59

Adjusting Journal Entries JE # 9

To reverse City entry # 156506 related to bond refunding.

200.00.2226	GO's Refunding Series 2016	6,880,000.00	
200.00.5433	Bond Proceeds	615,000.00	
200.00.2224	CO's Series 2006		7,495,000.00
Total		7,495,000.00	7,495,000.00

Adjusting Journal Entries JE # 10

To reclass principal payment on Series 2006 bonds from expense account to net against bond payable account.

200.00.2224	CO's Series 2006	130,000.00	
200.70.6164	TWDB-WWTP-Principal Pmt		130,000.00
Total		130,000.00	130,000.00

Adjusting Journal Entries JE # 11

To recognize Series 2016 Refunding Bonds

200.00.2224	CO's Series 2006	7,365,000.00	
200.00.6821	Bond Issuance Costs	145,375.86	
200.00.2168	Interest Payable		24,285.56
200.00.2226	GO's Refunding Series 2016		6,880,000.00
200.00.2300	Bonds Premium		606,090.30

Client: *City of Dayton, Texas*
 Engagement: *4.1 - Dayton 9/30/16*
 Period Ending: *9/30/2016*
 Trial Balance: *2.2.01 - TB*
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	Debit	Credit
Total		<u><u>7,510,375.86</u></u>	<u><u>7,510,375.86</u></u>
Adjusting Journal Entries JE # 12			
To adjust accrued interest payable to reflect balance at 9/30/16.			
200.70.6166	TWDB-WWTP-Interest Pmt	24,376.58	
200.00.2126	Accrued Interest Payable		24,376.58
Total		<u><u>24,376.58</u></u>	<u><u>24,376.58</u></u>
Adjusting Journal Entries JE # 13			
To amortize water/sewer fund premium for FY16.			
200.00.2300	Bonds Premium	46,622.33	
200.70.6799	Premium Amortization		46,622.33
Total		<u><u>46,622.33</u></u>	<u><u>46,622.33</u></u>
Adjusting Journal Entries JE # 14			
To adjust accumulated depreciated to tie to balance > 90 days outstanding on aging report.			
200.00.1220	Allowance For Doubtful Accounts	3,320.61	
210.00.5312	Garbage Collection Fees	37,054.66	
200.00.5310	Water Sales		3,320.61
210.00.1220	Allowance For Doubtful Accounts		37,054.66
Total		<u><u>40,375.27</u></u>	<u><u>40,375.27</u></u>
Adjusting Journal Entries JE # 15			
To reclass client entry number 158609 to recognize in CIP instead of hitting cash. General ledger stated this was a returned check (ck # 239011) but the check wasn't ever returned, it cleared in October. This transaction should have been accrued however.			
200.00.1511	Construction In Progress	144,202.00	
200.00.1110	Cash In Bank		144,202.00
Total		<u><u>144,202.00</u></u>	<u><u>144,202.00</u></u>
Adjusting Journal Entries JE # 16			
To reclass a refund for a duplicate payment related to prior year expenditures to recognize in miscellaneous revenues in the current fiscal year.			
200.70.6810	Capital Outlay	7,368.12	
200.00.5411	Miscellaneous Income		7,368.12
Total		<u><u>7,368.12</u></u>	<u><u>7,368.12</u></u>
Adjusting Journal Entries JE # 17			
To reverse City entry # 148988 related to the reclass of an expenditure to capitalize.			
200.00.1520	Equipment and Autos	21,600.00	
200.00.2110	Accounts Payable		21,600.00
Total		<u><u>21,600.00</u></u>	<u><u>21,600.00</u></u>
Adjusting Journal Entries JE # 18			
To recognize revenue and receivable related to an accrual in fund 501.			
501.00.1300	Due From State	17,500.00	
501.00.5417	Gift & Grant Revenue		17,500.00
Total		<u><u>17,500.00</u></u>	<u><u>17,500.00</u></u>

Client: *City of Dayton, Texas*
 Engagement: *4.1 - Dayton 9/30/16*
 Period Ending: *9/30/2016*
 Trial Balance: *2.2.01 - TB*
 Workpaper: *2.5.06 - Adjusting Journal Entries Report*

Account	Description	Debit	Credit
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Adjusting Journal Entries JE # 19

To reclass portion of due to DCDC recognized in due to other funds account for reporting purposes.

100.00.1287	Due From Dayton Community Devel. Corp.	6,925.50	
100.00.1290	Due From Other Funds		6,925.50
Total		<u><u>6,925.50</u></u>	<u><u>6,925.50</u></u>

Adjusting Journal Entries JE # 20

To reclass a portion of general fund due to/due from to net against other funds.

100.00.1290	Due From Other Funds	4,527.00	
100.00.2174	Due to Debt Service		4,527.00
Total		<u><u>4,527.00</u></u>	<u><u>4,527.00</u></u>

Adjusting Journal Entries JE # 21

To accrued half of the first billing in October (mid month billing).

200.00.1215	Accounts Receivable Water Bills	39,753.11	
210.00.1215	Accounts Receivable Water Bills	12,970.51	
200.00.5310	Water Sales		20,791.50
200.00.5311	Sewer Sales		18,961.61
210.00.5312	Garbage Collection Fees		12,970.51
Total		<u><u>52,723.62</u></u>	<u><u>52,723.62</u></u>

Adjusting Journal Entries JE # 22

To reverse amounts in fund 501 that should have been recognized in the prior year.

501.00.5417	Gift & Grant Revenue	137,971.90	
501.10.6536	Water Facilities		137,971.90
Total		<u><u>137,971.90</u></u>	<u><u>137,971.90</u></u>

Adjusting Journal Entries JE # 23

To reverse prior year accrued interest payable related to Series 2015 refunding bonds in the debt service fund.

300.00.2110	Accounts Payable	18,027.97	
300.10.6166	Interest		18,027.97
Total		<u><u>18,027.97</u></u>	<u><u>18,027.97</u></u>