

TOWN OF ARGYLE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2016

PREPARED BY KIM COLLINS, DIRECTOR OF FINANCE



Peggy Krueger
Mayor

Paul E. Frederiksen
Town Manager

Kim Collins
Director of Finance



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Town of Argyle, Texas
 Annual Financial Report
 For the year ended September 30, 2016

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	1
List of Elected and Appointed Officials	7
Organization Chart.....	8

FINANCIAL SECTION

Independent Auditor’s Report	9
Management’s Discussion and Analysis	12

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position.....	21
Statement of Activities	22

Fund Financial Statements

Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	27
Statement of Net Position – Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary..	29
Statement of Cash Flows-Proprietary Funds	30
Notes to the Annual Financial Report	31

Required Supplementary Information

Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual – General Fund	56
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Street Maintenance Fund	57
Schedule of Changes in Net Pension Liability and Related Ratios	58
Schedule of Contributions – Pension	59
Notes to Required Supplementary Information	60

Combining Fund Statements

Combining Balance Sheet Nonmajor Governmental Funds	62
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds	64
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Argyle Economic Development Corp. Fund	66
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Crime Control Prevention District Fund	67

COMPLIANCE AND INTERNAL CONTROLS SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	68
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STATISTICAL SECTION

Financial Trends

Statement of Net Position by Component, Last Six Fiscal Years.....	71
Changes in Net Position, Last Six Fiscal Years	72
Fund Balances, Governmental Funds, Last Ten Fiscal Years	73
Changes in Fund Balances, Governmental Fund, Last Ten Fiscal Years	74

Revenue Capacity

Assessed Value and Estimated Actual Value of Taxable Property, Last Nine Fiscal Years	75
Direct and Overlapping Property Tax Rates, Last Twelve Fiscal Years	76

Debt Capacity

Ratio of General Bonded Debt Outstanding, Last Nine Fiscal Years	77
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Demographic & Economic Information

Principal Taxpayers, Current Year and Seven Years Ago	78
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Operating Information

Full Time Equivalent City Government Employees by Function/Program, Last Nine Fiscal Years	79
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March 21, 2017

The Honorable Mayor, Town Council Members, and the Citizens of Argyle:

Chapter 103 of the Texas Local Government Code requires that a municipality shall have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. This statutory requirement is addressed in the Town of Argyle Ordinances, which includes the objective that the Town's financial statements provide a complete set of financial statements in conformance with generally accepted accounting principles (GAAP), and are audited in accordance with generally accepted auditing standards by a licensed certified public accountant(s). Accordingly, the basic financial statements for the Town of Argyle, Texas for the fiscal year ended September 30, 2016 are hereby issued.

The basic financial statements of the Town include all governmental activities, functions, and organizations for which it is financially accountable pursuant to, and as defined by, the Governmental Accounting Standards Board (GASB). Based on those criteria, no other governmental organizations are included in this report.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making said representations, the Town has established an internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements. As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by M. Vail & Associates, PC, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2016, are free of material misstatements. 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 statements. Based on the audit, the auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended September 30, 2016 are fairly presented in conformity with GAAP. The auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditor.

Profile of the Town

The Town of Argyle, located in Denton County and founded in 1881, was incorporated in 1963 and is designated as a Type "A" General Law municipality per Texas Local Government Code. The Town occupies approximately 13 square miles and has a current population of approximately 3,820, according to estimates from the North Central Texas Council of Governments (NCTCOG). Bordered on the west by Interstate Highway 35 and having U.S. Highway 377 traversing south to north through the middle of the Town, the Town enjoys an excellent highway corridor plan that will eventually result in various mixed-use retail/commercial developments along the corridors while retaining the Town's "signature" rural-agricultural open space to remain.

The Town operates under the Aldermanic form of government whereby the legislative and policy-making authority for the Town rests solely with the elected governing body, which consists of the Mayor and five Aldermen (Town Council Members), serving in positions 1 through 5. The Mayor and Council Members serve two-year staggered terms and are elected on an at-large basis. As part of the governing body's legislative and policy-making authority, it must adopt an annual operating budget and tax rate, approve Town ordinances and resolutions, appoint various advisory committees, and employ the Municipal Judge, Town Attorney, Town Manager, and Town Secretary.

The Town Manager is responsible for implementing the policies and ordinances enacted by the governing body, managing the day-to-day operations of the Town, and appointing the department directors. The Town Manager, along with the Director of Community Development, also administers the Argyle Economic Development Corporation.

The Town has adopted a Comprehensive Land Use Plan and Zoning Ordinance, and thus appoints a Planning and Zoning Commission that carries out the statutory duties set forth in the Texas Local Government Code. The Town's Director of Community Development administers the Planning and Zoning Commission and the zoning and subdivision ordinances of the Town.

The Town of Argyle voters have approved three local option sales and use tax proposals; consequently, the Town administers a Type B Economic Development Corporation, a Crime Control and Prevention District, and a Street Maintenance Sales Tax. The local option sales and use tax revenue generated for these purposes are used in accordance with their respective provisions of State Law. By law, the governing body appoints an Economic Development Corporation Board of Directors and a Crime Control and Prevention District (CCPD) Board of Directors for the purpose of administering these programs. The CCPD is administered by the Chief of Police.

Services Provided

The Town of Argyle provides general administration, police services, municipal court services, development and planning services, street and drainage maintenance, and wastewater collection system maintenance.

Other Provided Services

Fire and EMS is provided by Denton County Emergency Services District Number 1 and is funded through a District-wide property tax levy. Solid waste collection and recycling services are contracted through Republic Waste Services. The Argyle Water Supply Corporation provides water distribution and storage throughout the Town, as well as billing and collection of sewer service fees on behalf of the Town's Wastewater Utility. The Town contracts with both the Trinity River Authority and the City of Denton for wastewater treatment and collection services.

Economic Conditions and Outlook

As the regional economy continues to grow, business activity and development interest in the Town continues as well. Significant factors in the Town's economic strength and continued high taxable values are the proximity to major job centers within the Dallas-Fort Worth (DFW) Metroplex along with the importance of DFW International Airport and the Alliance Airport which are connected by a network of major highways. Another contributing factor to the Town's economic stability is the exemplary schools located in Argyle. Argyle ISD is a highly ranked school district. Liberty Christian Schools, also located in Argyle, was recently named the #1 private school in the state of Texas by the Texas Association of Private and Parochial Schools (TAPPS). Both schools continue to attract residents to the Town.

Residential building permit activity continues to decline. In 2016, only 37 permits were issued, compared with 44 permits issued in 2015 and 55 permits issued in 2014. While we do not see this trend continuing, staff will take a conservative approach to determining future permit activity. With that said, the Town approved The Waterbrook development which will consist of 287 single-family lots at build out and approximately 200,000 square feet of commercial and retail space at the southeast corner of FM 407 and US 377. The Lakes of Argyle has begun construction and represents 139 single-family residential lots at build-out. 5T Ranch has begun construction and represents 90 single-family residential lots with 9 building permits issued to date. The Oaks residential subdivision has only 46 lots remaining out of its total of 107 single-family lots. Residential permits for large estate homes remains steady.

Currently, there are two large master planned residential communities outside the Town's limits, but within portions of the Town of Argyle, Extra Territorial Jurisdiction (ETJ). Extraterritorial jurisdiction by statute is defined as the unincorporated area that is contiguous to the corporate boundaries of the municipality and provides only limited legal ability of a government to exercise authority beyond its normal boundaries. Construction of the first phase of Harvest, a 3,000-lot master planned residential development west of Argyle, began in November 2012, and is expected to spur additional development activity and interest in the area for years to come. Canyon Falls, another 3,000-lot, master planned development to the south of Argyle, began construction of homes in 2014. The portion of Canyon Falls within the Town's ETJ, which includes 340 single-family lots, has final Plat approval with the construction commencing in 2017.

Local option sales and use tax revenue experienced significant growth over budgeted projections. 2017 will welcome the opening of a new restaurant and the CVS Pharmacy in the Town totaling approximately 16,800 square feet which will be an additional boost to sales tax revenue. The Town can also anticipate adding approximately \$1,800,000 of total ad valorem value.

Two important projects are proceeding for the Town of Argyle. The first project is for the design and construction of the S-1 Sanitary Sewer line and Lift Station project. The Argyle Economic Development Corporation (EDC) funded the first design phase for the Town's "S-1" sewer line, which ultimately provides the Town capacity for sewer service in the southeast quadrant of the Town, sending those flows to the Trinity River Authority (TRA) Treatment Plant. The developer of the Waterbrook project will be responsible for the easement acquisition and construction of both the gravity line, force main and the lift station. Reimbursement to the developer will be through the creation of a Tax Increment Reinvestment Zone (TIRZ).

The second project is for the design and construction of the first park in Argyle. The Town of Argyle submitted a grant application to the Texas Parks and Wildlife Department (TPWD), Local Parks Non-Urban Outdoor Grant Program to make essential renovations and improvements to park and ballfield facilities located at the Argyle Intermediate School, encompassing approximately fifteen (15) acres, a portion of which is located in the 100-year floodplain in partnership with Argyle ISD. Improvements include, but are not limited to, additional playground/recreation equipment and facilities, walking trails, benches, picnic tables and pavilion enhancements. In March 2016 the Texas Parks and Wildlife Commission approved the funding for the Town of Argyle, Local Parks Non-Urban Outdoor grant application. The award provides a \$500,000 matching grant on a reimbursement basis.

Budget

The Fiscal Year (FY) 2016 adopted General Fund expenditures rose approximately 5.6% over FY 2015. This increase, however, includes initiatives not reflected in the FY 2015 budget, specifically funding of potential Town-wide drainage repairs, continuance of the Town-wide street signage replacement, and a transfer to the Building Maintenance Fund. FY 2016 revenues were budgeted to out-pace FY 2015 by 10.5%. The components of this increase are higher Ad Valorem revenue, as well as increased sales tax receipts and municipal court revenues. Additionally, there was \$38,000 in new transfers in, most of which had a net zero effect on ending fund balance as they were offset by drainage repairs. FY 2016 closed the year with 10.04% excess revenue over budget. During the FY 2017 budget process, Council approved additional expenditures for excess FY 2016 fund balance. These included the following: \$125,000 transfer to Capital Improvements Fund for Park project funding; \$100,000 payment to Texas Municipal Retirement System towards the Town's unfunded liability, effectively saving the Town approximately \$500,000 over the life of the liability; replacement of a 17-year old dump truck for Public Works; replacement of a 12-year old utility truck for Public Works; and an additional \$10,000 commitment to the Town-wide signage replacement. The 2016 (FY 2017 Budget) certified taxable values increased to \$534,580,990 over 2015 taxable values. The 5.18% increase is a combination of new value added, land value increases of 8.9%, and a modest 3.6% appreciation in existing home values. The property tax rate adopted for FY 2016 remained \$0.3975 per \$100 of assessed value for the 7th consecutive year.

Accounting System and Budgetary Control

The Town's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liabilities incurred. Accounting records for the Town's utilities are maintained on the accrual basis.

In developing and maintaining the Town's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide

reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the Town's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual program of services (budget) serves as the foundation of the Town's financial planning and control. State law requires the annual budget to be adopted by the Town Council before the start of the fiscal year. The proposed budget must be submitted to the Town Secretary no later than thirty (30) days before the date set for a public hearing by the Town Council to consider adoption of the annual program of services.

Prior to adoption, the Town Manager and department directors prepare program expenditure estimates for the remainder of the current fiscal year as well as for the upcoming fiscal year which are compared to estimates of revenue for the same periods. Adjustments are made to the program expenditure estimates as necessary to ensure that the proposed program of services is presented within total estimated revenue and available beginning revenue sources.

The Town Manager is authorized to transfer budgeted amounts between line items within any fund; however, any revisions that alter the total approved expenditures of any fund must be approved by the Town Council.

Budgetary control has been established at the fund level. Financial reports are produced showing budget and actual expenditures by line item and are distributed monthly to the departmental management and to others upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at the position level and capital expenditures are monitored and controlled item by item. Revenue and expenditure budgets are reviewed monthly.

A budget-to-actual comparison for the General Fund is provided later in this report.

Debt Management

The Town funds its capital program from a combination of current revenues and capital debt. Street improvements are funded by a combination of capital debt and capital improvement fees. Annual debt service requirements for general obligation debt are well below the statutory legal limit of \$1.50 per \$100 assessed property value.

Cash Management

The Town utilizes its investment policy in the management of all cash. The Town's investment policy embraces current state regulations on the investment of public funds and authorizes the Town to invest in fully insured or collateralized certificates of deposit from the depository bank, direct obligations of the United States Government, obligations of an agency of the United States Government and local government investment pools. State law requires public funds deposits be collateralized. Collateral is monitored to ensure that the market value of the pledged securities

equals or exceeds 102% of the related deposit or investment balance. All collateral shall be subject to verification by the Finance Director and the Town's independent auditors.

Tax Appraisal/Collection Responsibilities

Under Texas law enacted in 1979, and subsequent revisions of the State Property Tax Code, the appraised value of taxable property in Argyle is established by the Denton County Appraisal District. The Town of Argyle and other taxing jurisdictions in Denton County provide a pro-rata share of the budgeted expenditures incurred by the Appraisal District, based on individual levy. The Denton County Tax Assessor-Collector provides tax collection services for the Town and other taxing jurisdictions in Denton County.


Risk Management

A town government is constantly exposed to risk of all kinds, including damage to public property and liability resulting from injury to persons and damage to their property. As a means of providing reasonable protection against these risks, the Town participates in the Texas Municipal League Joint Self-Insurance Fund for its property loss and liability coverage. As a member of the program, the Town is provided the most extensive protection available to Texas cities in the areas of comprehensive general liability, auto liability, losses to municipal building and contents, and for law enforcement and public officials' liability coverage.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Town. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the Mayor and Town Council members for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully Submitted,



Paul E. Frederiksen
Town Manager



Kim Collins
Director of Finance

Town of Argyle, Texas

List of Elected and Appointed Officials

September 30, 2016

Elected Officials

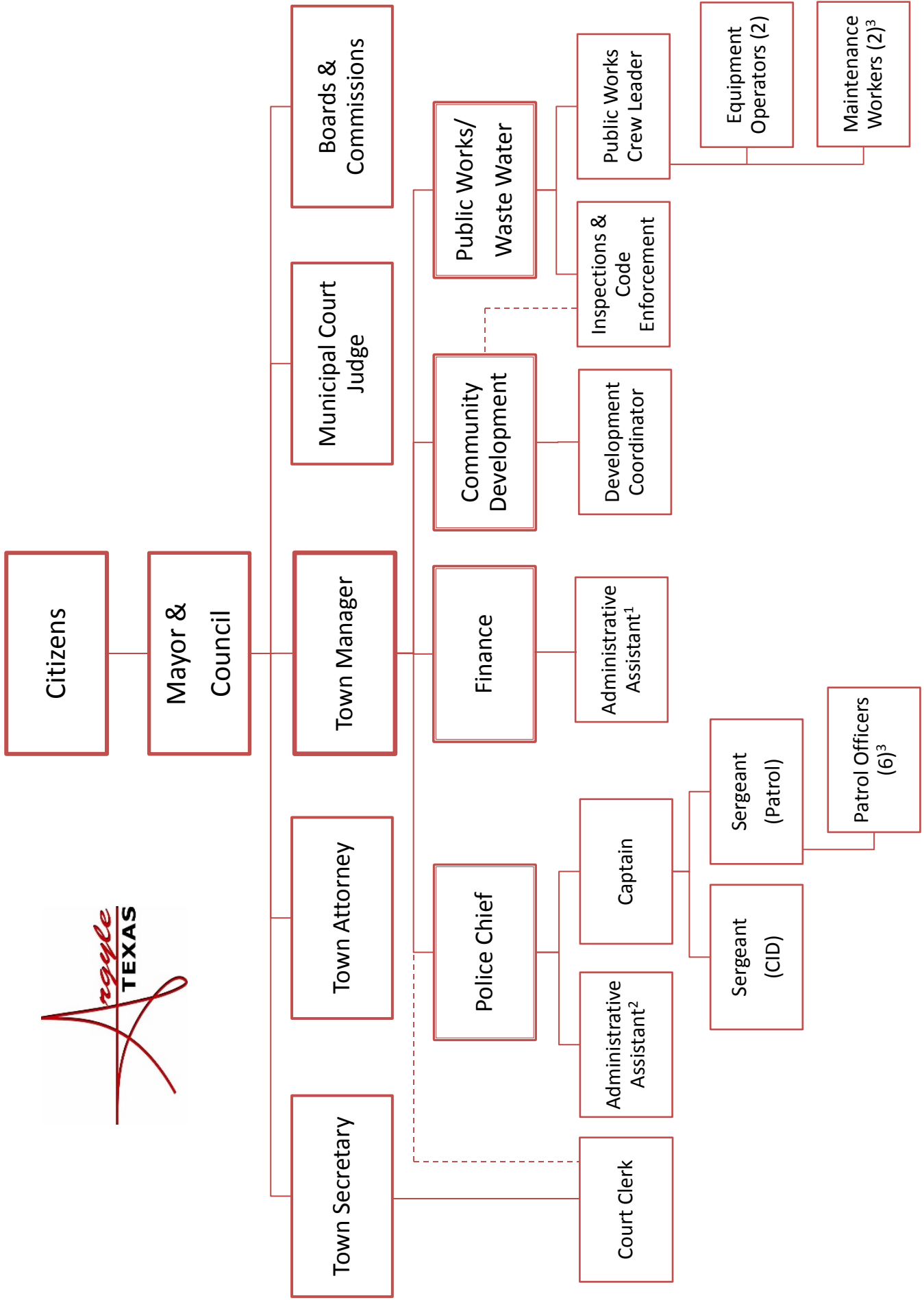
Mayor	Peggy Krueger
Council Member – Place 1	Joey Hasty
Council Member – Place 2	Kay Teer
Council Member – Place 3	Eric Lamon
Council Member – Place 4	Jay Haynes
Council Member – Place 5	Marla Hawkesworth

Appointed Officials

Town Manager	Paul E. Frederiksen
Town Secretary	Kristi Gilbert

Department Directors

Police Chief	William Tackett
Director of Finance	Kim Collins
Director of Community Services	Matthew Jones
Public Works Director	Troy Norton
Municipal Court Clerk	Judith Jacinto





M. Vail & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AUDIT, TAX AND ADVISORY SERVICES

Michael G. Vail, CPA
Charles T. Gregg, CPA
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American Institute of CPAs
Texas Society of CPAs

Report of Independent Auditors

To the Honorable Mayor and Town Council
Town of Argyle, Texas
308 Denton Street,
Argyle, TX 76226

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Argyle, Texas (“The Town”) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s responsibility

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town 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.

The Town discovered certain donated capital assets (see NOTE G and H) that were not recorded in the previous years. This resulted in a \$1,282,751 increase in governmental activities net position and \$257,672 increase in business-type activities net position as of September 30, 2015. Accordingly, an adjustment has been made to beginning net position as of September 30, 2016.

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information on pages 12–19 and 56–60 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 Town's basic financial statements. The combining fund statements on pages 62–67 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is

an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

M. C. Ail & Associates, P.C.

Richardson, Texas
March 22, 2017

TOWN OF ARGYLE MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Argyle's financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,364,852.
- Unrestricted net position at the close of the fiscal year is \$2,048,809 and may be used to meet the Town's ongoing/unallocated obligations to citizens and creditors.
- The Town's total net position increased by \$3,681,115 as a result of: 1) an increase in net position of \$2,625,554 for the governmental activities. This increase is a combination of a developer contributions for infrastructure in the amount of \$1,772,418 and revenues in excess of expenses, and 2) an increase in net position of \$1,055,561 for the business-type activities which is a combination of developer contributions for infrastructure in the amount of \$998,289 as well as revenues in excess of expenditures.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,155,742. The fund balances increased by an amount of \$706,458. Of the total fund balance, \$2,257,770 is unassigned and available for spending at the Town's discretion.
- At the end of the current fiscal year, the unassigned General Fund balance was \$2,257,770, or 62% of total FY17 General Fund budgeted expenditures.
- The net decrease to the Town's total long term liabilities was \$378,179 (5.46%) during the current fiscal year. This decrease was a result of all debt obligations being made in full and on time.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and Statement of Activities. These provide information about the activities of the Town as a whole and present a long-term view of the Town's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. Governmental fund statements tell how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for funding requests and the appropriations from the State. Proprietary fund financial statements report activity for the Town's wastewater operations.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

Reporting the Town as a Whole – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the Town's overall financial condition and operation. The primary objective of these statements is to show

whether the Town's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the Town's assets and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the Town's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The Town's revenue is divided into the following categories: 1) charges for services; 2) operating grants and contributions; 3) capital grants and contributions; and 4) general revenues not associated with any specific program function. All of the Town's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the Town's net position and changes in it. The Town's net position (the difference between assets and liabilities) provides one measure of the Town's financial health. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the Town however, non-financial factors should also be considered, such as changes in the Town's request for services from citizens and the condition of the Town's facilities.

In the Statement of Net Position and the Statement of Activities, the Town has two kinds of activities:

Governmental Activities – Town services such as public safety, municipal court, public works, development services and general government are reported here. Town property taxes finance approximately 67% of these activities.

Business-Type Activities - The Town uses proprietary (business-type) funds to account for its wastewater services. The services are supported by monthly charges to citizens.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The Town's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental Funds – The Town reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. 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*.

Proprietary Funds – The Town uses proprietary (business-type) funds to account for its wastewater operations. The full-accrual basis of accounting is used for all proprietary type funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Statement of Net Position

The Town implemented the provisions of GASB Statement No. 34 during the fiscal year 2004. Net position serves as one useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$11,364,852 at the end of fiscal year 2016.

TABLE I NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015 restated	2016	2015 restated	2016	2015 restated
Current and other assets	\$ 4,555,336	\$ 3,769,946	\$ 918,331	\$ 943,405	\$ 5,473,667	\$ 4,713,352
Capital assets, net of accumulated depreciation	10,631,466	9,091,251	2,556,632	1,603,763	13,188,098	10,695,014
Total assets	15,186,802	12,861,197	3,474,963	2,547,168	18,661,765	15,408,366
Deferred outflows of resources	450,214	186,078	15,766	8,727	465,980	194,805
Current payables & other liabilities	219,877	204,469	37,828	92,740	257,705	297,209
LT bonds,pension liability & escrows	6,068,614	6,088,952	1,320,544	1,384,502	7,389,159	7,473,454
Total liabilities	6,288,491	6,293,421	1,358,373	1,477,242	7,646,864	7,770,663
Deferred inflows of resources	110,577	141,461	5,453	7,310	116,030	148,771
Net position						
Net investment in capital position	5,512,466	3,692,251	1,502,777	560,581	7,015,243	4,252,832
Restricted for:						
Debt retirement	158,368	126,536	-	-	158,368	126,536
Capital improvements	247,287	147,433	402,828	435,256	650,116	582,689
Street maintenance	301,846	266,958	-	-	301,846	266,958
Impact Fees	717,157	612,663	-	-	717,157	612,663
Other specific purposes	473,314	376,536	-	-	473,314	376,536
Unrestricted	1,827,510	1,390,017	221,298	75,507	2,048,809	1,465,523
Total net position	\$ 9,237,948	\$ 6,612,394	\$ 2,126,904	\$ 1,071,343	\$ 11,364,852	\$ 7,683,737

Sixty two percent (62%) (\$7,015,243 / \$11,364,852) of the Town's net position are invested in capital assets, net of related debt: land, construction in progress, buildings and improvements, general infrastructure, intangibles, vehicles and equipment, and wastewater system, less outstanding debt used to acquire these assets. The Town uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending.

An additional portion of the Town's net position, (20%) (\$2,300,801 / 11,364,852), represents resources that are subject to external restrictions on how they may be used. The remaining

balance of *unrestricted/unallocated net position*, \$2,048,809, may be used to meet the Town’s ongoing obligations to citizens and creditors.

Government-wide Statement of Activities

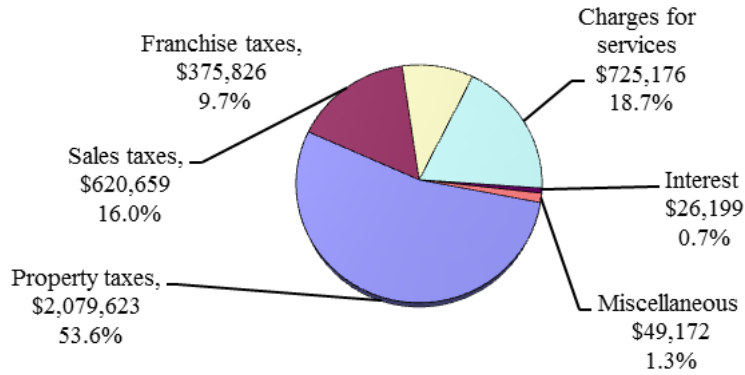
TABLE II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015 restated	2016	2015 restated	2016	2015 restated
Revenues:						
Program revenues						
Charges for services	\$ 725,176	\$ 714,070	\$ 404,028	\$ 361,970	\$ 1,129,203	\$ 1,076,040
Operating grants and contributions	60,187	55,032	-	-	60,187	55,032
Capital grants and contributions	1,772,418	1,285,628	1,103,911	305,690	2,876,329	1,591,318
General revenues						
Property taxes	2,079,623	1,838,958	-	-	2,079,623	1,838,958
Franchise taxes	375,826	388,363	-	-	375,826	388,363
Sales taxes	620,659	498,650	-	-	620,659	498,650
Intergovernmental	-	-	-	-	-	-
Interest	26,199	23,370	5,197	4,782	31,396	28,153
Miscellaneous	49,172	457	-	-	49,172	457
Total revenues	5,709,259	4,804,527	1,513,136	672,442	7,222,395	5,476,970
Expenses:						
General government	991,022	815,471	-	-	991,022	815,471
Public safety	859,878	1,036,907	-	-	859,878	1,036,907
Public works	704,603	664,592	-	-	704,603	664,592
Development services	275,464	328,032	-	-	275,464	328,032
Municipal court	88,206	138,908	-	-	88,206	138,908
Interest on long term debt	192,831	201,061	-	-	192,831	201,061
Wastewater utilities	-	-	512,434	484,468	512,434	484,468
Total expenses	3,112,005	3,184,972	512,434	484,468	3,624,439	3,669,440
Increase (decrease) in net assets before transfers	2,597,254	1,619,555	1,000,702	187,975	3,597,956	1,807,530
Net transfers	28,300	28,300	54,859	15,870	83,159	44,170
Increase (decrease) in net position	2,625,554	1,647,855	1,055,561	203,845	3,681,115	1,851,700
Net position - beginning, restated	6,612,394	4,964,539	1,071,343	867,498	7,683,737	5,832,037
Net position - ending	\$ 9,237,948	\$ 6,612,394	\$ 2,126,904	\$ 1,071,343	\$ 11,364,852	\$ 7,683,737

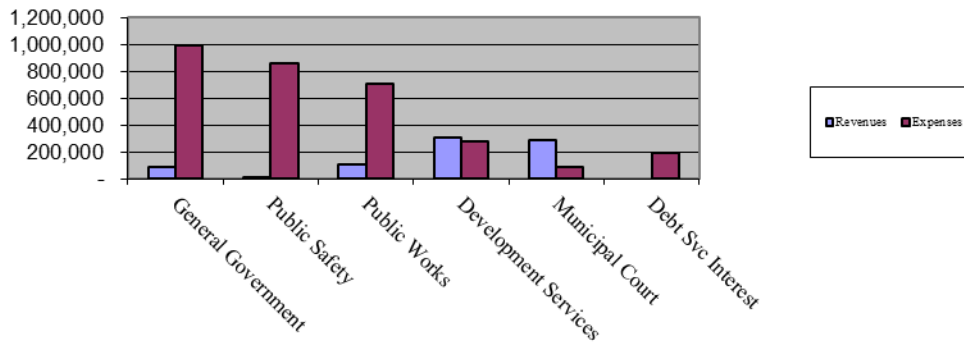
Governmental Activities

Governmental activities increased the net position of the Town by \$2,625,554. This increase was a combination of a \$1,772,418 in developer contributions for infrastructure and an increase in revenue due to budgeted revenues exceeding budgeted expenses in the fiscal year. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,827,510 for governmental activities.

Revenues by Source - Governmental Activities



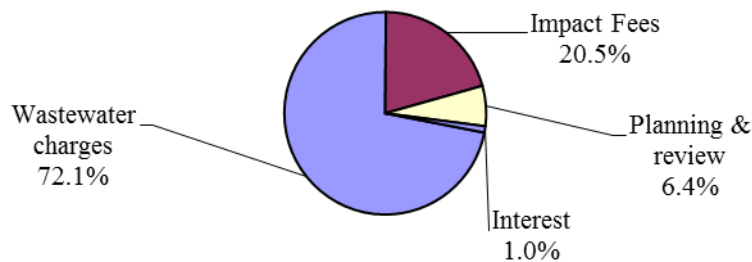
Expenses and Program Revenues - Governmental Activities

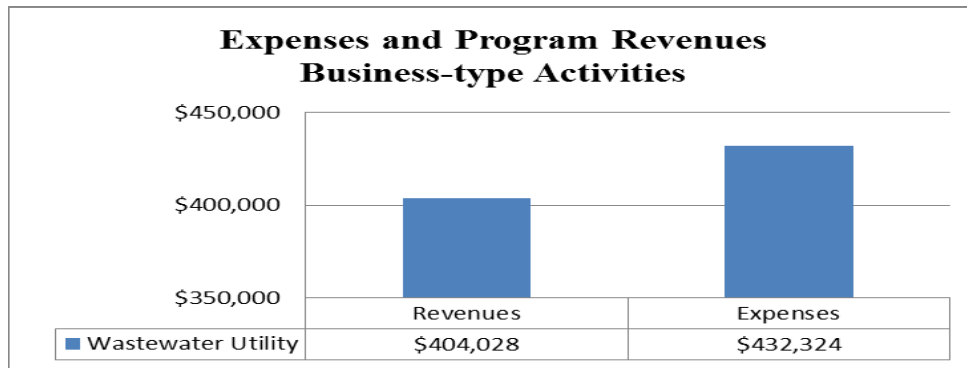


Business-type Activities

Business-type activities increased the net position of the Town by \$1,055,561. This increase is largely due to a \$998,289 developer contribution for infrastructure, as there was an operating loss of (\$28,297) during the fiscal year.

Revenues by Source - Business-type Activities





FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the year, its combined governmental funds, as presented in the balance sheet, reported a combined fund balance of \$4,155,742. This represents an increase of \$706,458 from the prior fiscal year.

Revenues for the Town's general fund were \$3,100,234, while total expenses before transfers were \$2,629,922. Additional expenses include budgeted transfers from the General Fund of \$20,000 to the Equipment Replacement Fund, as well as transfers adopted at time of FY17 budget adoption. These included a \$100,000 payment to TMRS for a one-time lump sum payment towards the Town's unfunded pension liability. Council also approved a \$125,000 transfer from the General Fund to the Capital Improvement Fund for Park expenditures in FY17. A newly created fund for building maintenance was funded through a \$25,000 transfer from the General Fund as well. As a result of higher actual over budgeted revenues, and lower actual over budgeted expenditures, the General Fund had a net increase to fund balance of \$338,612 after all transfers were made.

Factors concerning the finances of the wastewater business-type fund were addressed in the previous discussion of the Town's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

TABLE III
TOWN OF ARGYLE CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-type Activities		Total	
	2016	2015 restated	2016	2015 restated	2016	2015 restated
Land	\$ 224,206	\$ 224,206	\$ -	\$ -	\$ 224,206	\$ 224,206
Construction in progress	1,362,827	50,018	854,950	147,320	2,217,778	197,338
Buildings and improvements	1,050,877	1,180,698	-	-	1,050,877	1,180,698
Infrastructure	7,470,115	7,169,700	-	-	7,470,115	7,169,700
Intangibles	202,487	245,322	-	-	202,487	245,322
Vehicles and equipment	320,953	221,308	4,287	8,870	325,240	230,178
Graveyard branch collection system	-	-	425,783	442,928	425,783	442,928
Wastewater system	-	-	1,271,612	1,004,645	1,271,612	1,004,645
Total	\$ 10,631,466	\$ 9,091,252	\$ 2,556,632	\$ 1,603,763	\$ 13,188,098	\$ 10,695,014

The Town's net investment in capital assets for all activities as of September 30, 2016 is \$13,188,098, compared to \$10,695,014 at September 30, 2015. This net investment in capital

assets includes land, construction in progress, buildings and improvements, infrastructure, intangibles, vehicles and equipment, and wastewater systems. The total increase in the Town's net investment in capital assets for the current fiscal year was \$2,493,083. This increase is a developer contributions for infrastructure in the amount of \$2,770,707, vehicle and equipment purchases and dispositions, and annual depreciation.

Government-wide capital assets increased \$1,540,213 over FY15. The increase is current period infrastructure additions (developer contributed), vehicle and equipment additions and dispositions, and annual depreciation expense (\$469,343). The current period vehicle equipment additions at the end of FY16 were made possible by reallocation of excess revenue over expenditures during the FY17 budget process. These expenditures included a public works utility truck, a public works dump truck, and a police vehicle. The police department purchased 10 body cameras for its officers, as well as the new computers for their patrol vehicles.

Business-type activities assets increased \$952,870 over FY15. The increase is current period infrastructure additions (developer contributed) in the amount of \$998,289, dispositions and the annual depreciation expense of (\$84,380). See *Notes to Financial Statements* for more detailed information on capital asset activity.

Long-term Debt

TABLE IV
TOWN OF ARGYLE OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds payable	\$ 5,133,000	\$ 5,414,000	\$ 1,060,000	\$ 1,115,000	\$ 6,193,000	\$ 6,529,000
Notes payable	-	-	226,398	269,502	226,398	269,502
Compensated absences	135,110	134,185	-	-	135,110	134,185
	<u>\$ 5,268,110</u>	<u>\$ 5,548,185</u>	<u>\$ 1,286,398</u>	<u>\$ 1,384,502</u>	<u>\$ 6,554,509</u>	<u>\$ 6,932,687</u>

At September 30, 2016, the Town had bonds payable, notes payable and accrued compensated absences outstanding of \$6,554,509. Principal payments totaled \$379,104, and all payments were made on or before their due dates. See *Notes to Financial Statements* for more detailed information on long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The ending general fund balance for FY 2016 was \$2,257,770. Fund balance is currently 228 days, well above the stated balance of 120 days in the Town's Financial Policies. This is a slight drop in number of days of fund balance compared to the end of FY 2015 as a result of a \$500,000 draw down on fund balance reflected in the FY 2017 budget. The draw down is a transfer to the Capital Improvements Fund for the Town's matching portion of the Texas Parks and Wildlife grant received in FY 2016. The fiscal year 2015-2016 budget was based on the prevailing property tax rate of \$.3975 per \$100 of valuation.

The FY 2017 General Fund budgeted expenditures increased by 26.98% or \$769,472 over the FY 2016 adopted budget. This large increase is explained by the \$500,000 draw down of fund balance. When the effect of this transfer is removed, the increase is 9.45% over FY 2016. This increase is explained by compensation adjustments to police and key staff positions, addition of new officer and public works personnel half way through the year, potential Town-wide drainage work and slight increases to recurring expenditures. The essential services funded are relatively unchanged from FY 2016. The budget reflects a transfer to the Building Maintenance Fund in the amount of \$25,000 and a transfer to the Equipment Replacement Fund in the amount of \$20,000. These enhancements were made possible through increased revenues.

FY 2017 (tax year 2016) property tax revenue was based on ad valorem values which rose 5.18% over the previous year. This increase is a combination of new value added, increased land values of 8.9% and a modes 3.6% appreciation in existing home values.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Town of Argyle, Attn: Finance Director, P.O. Box 609, Argyle, TX 76226.



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**Town of Argyle, Texas
Statement of Net Position
September 30, 2016**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation	Crime Control & Prevention District
ASSETS					
Cash and cash equivalents	\$ 3,475,013	\$ 469,859	\$ 3,944,872	\$ 885,494	\$ 170,759
Receivables (net of allowance for uncollectibles)	363,166	45,644	408,811	45,934	21,504
Restricted cash and cash equivalents:					
Impact fee eligible capital improvements	717,157	402,828	1,119,985	-	-
Capital assets not being depreciated:					
Land	224,206		224,206	-	-
Construction in progress	1,362,827	854,950	2,217,778	-	-
Capital assets (net of accumulated depreciation):			-		
Buildings and improvements	1,050,877	-	1,050,877	-	-
Infrastructure	7,470,115	-	7,470,115	-	-
Vehicles and equipment	320,953	4,287	325,240	-	-
Intangible assets	202,487	-	202,487	-	-
Wastewater system	-	1,697,395	1,697,395	-	-
Total assets	<u>15,186,802</u>	<u>3,474,963</u>	<u>18,661,764</u>	<u>931,428</u>	<u>192,263</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflow - pension contributions	240,673	9,099	249,772	-	-
Deferred outflow - actuarial pension losses	195,541	6,667	202,208	-	-
Deferred charge on refunding	14,000	-	14,000	-	-
Total deferred outflows of resources	<u>450,214</u>	<u>15,766</u>	<u>465,980</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	161,829	14,387	176,216	1,974	13,395
Accrued and other payables	36,139	-	36,139	-	-
Accrued interest payable	21,909	23,441	45,350	-	-
Non-current liabilities:					
Due within one year	319,735	105,556	425,290	-	-
Developer escrow	61,403	-	61,403	-	-
Net pension liability	739,100	34,146	773,246	-	-
Due in more than one year	4,948,377	1,180,842	6,129,219	-	-
Total liabilities	<u>6,288,491</u>	<u>1,358,373</u>	<u>7,646,864</u>	<u>1,974</u>	<u>13,395</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow - actuarial pension gain	110,577	5,453	116,030	-	-
Total deferred inflow of resources	<u>110,577</u>	<u>5,453</u>	<u>116,030</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	5,512,466	1,502,777	7,015,243	-	-
Restricted for:					
Capital improvements	247,287	402,828	650,116	-	-
Street maintenance	301,846	-	301,846	-	-
Building maintenance	25,039	-	25,039	-	-
Impact fees	717,157	-	717,157	-	-
Equipment replacement	55,798	-	55,798	-	-
Municipal court	36,174	-	36,174	-	-
Police	24,513	-	24,513	-	-
Debt service	158,368	-	158,368	-	-
Community projects	331,790	-	331,790	-	-
Unrestricted	1,827,510	221,298	2,048,809	929,454	178,868
Total net position	<u>\$ 9,237,948</u>	<u>\$ 2,126,904</u>	<u>\$ 11,364,852</u>	<u>\$ 929,454</u>	<u>\$ 178,868</u>

The accompanying notes are an integral part of this statement.

**Town of Argyle, Texas
Statement of Activities
For the Year Ended September 30, 2016**

<u>Functions/programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 991,022	\$ 26,827	\$ 55,633	\$ -
Public safety	859,878	550	4,554	-
Municipal Court	88,206	289,463	-	-
Public Works	704,603	100,503	-	1,772,418
Development Services	275,464	307,832	-	-
Interest expense	192,831	-	-	-
Total governmental activities	<u>3,112,005</u>	<u>725,176</u>	<u>60,187</u>	<u>1,772,418</u>
Business-type activities:				
Wastewater utility	512,434	404,028	-	1,103,911
Total business-type activities	<u>512,434</u>	<u>404,028</u>	<u>-</u>	<u>1,103,911</u>
Total Primary Government	<u>\$ 3,624,439</u>	<u>\$ 1,129,203</u>	<u>\$ 60,187</u>	<u>\$ 2,876,329</u>
Component unit:				
Economic Development Corporation	71,185	-	-	-
Crime Control & Prevention	123,923	-	-	-
Total Component Units	<u>\$ 195,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property taxes
 Sales taxes
 Franchise taxes
 Interest
 Intergovernmental
 Miscellaneous
Transfers in (out)
 Total general revenues and transfers
 Change in net position
Net position - beginning
Prior period adjustments
Net position - ending

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas
Statement of Activities
For the Year Ended September 30, 2016

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Primary Government			Economic Development Corporation	Crime Control & Prevention District
Governmental Activities	Business-type Activities	Total		
\$ (908,562)	\$ -	\$ (908,562)	-	-
(854,773)	-	(854,773)	-	-
201,257	-	201,257	-	-
1,168,318	-	1,168,318	-	-
32,368	-	32,368	-	-
(192,831)	-	(192,831)	-	-
(554,224)	-	(554,224)	-	-
-	995,505	995,505	-	-
-	995,505	995,505	-	-
(554,224)	995,505	441,281	-	-
-	-	-	(71,185)	-
-	-	-	-	(123,923)
\$ -	\$ -	\$ -	\$ (71,185)	\$ (123,923)
2,079,623	-	2,079,623	-	-
620,659	-	620,659	246,414	127,962
375,826	-	375,826	-	-
26,199	5,197	31,396	4,121	1,041
-	-	-	-	-
49,172	-	49,172	-	6,850
28,300	54,859	83,159	(83,159)	-
3,179,778	60,056	3,239,834	167,376	135,853
2,625,554	1,055,561	3,681,115	96,191	11,930
5,329,644	813,671	6,143,315	833,262	166,939
1,282,750	257,672	1,540,422	-	-
\$ 9,237,948	\$ 2,126,904	\$ 11,364,852	\$ 929,454	\$ 178,868

**Town of Argyle, Texas
Balance Sheet
Governmental Funds
September 30, 2016**

	General Fund	General Debt Service Fund	Capital Projects Fund	Street Maintenance Fund	Roadway Impact Fee Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 2,318,849	\$ 155,893	\$ 247,287	\$ 279,659	\$ 717,157	\$ 473,324	\$ 4,192,170
Receivables (net of allowance for uncollectibles)							
Property taxes	35,509	9,177	-	-	-	-	44,685
Franchise taxes	93,342	-	-	-	-	-	93,342
Sales taxes	91,867	-	-	22,967	-	-	114,834
Due from other funds	110,305	-	-	-	-	-	110,305
Other	-	-	-	-	-	-	-
Total assets	<u>2,649,872</u>	<u>165,070</u>	<u>247,287</u>	<u>302,626</u>	<u>717,157</u>	<u>473,324</u>	<u>4,555,336</u>
LIABILITIES							
Accounts payable	161,039	-	-	780	-	11	161,829
Accrued and other payables	36,139	-	-	-	-	-	36,139
Deferred revenues	-	-	-	-	-	-	-
Developer escrow	31,935	-	-	-	-	-	31,935
Total liabilities	<u>229,113</u>	<u>-</u>	<u>-</u>	<u>780</u>	<u>-</u>	<u>11</u>	<u>229,903</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	27,412	6,702	-	-	-	-	34,114
Unavailable revenue - municipal court	106,108	-	-	-	-	-	106,108
Unavailable revenue - developer escrow	29,468	-	-	-	-	-	29,468
Total deferred inflows of resources	<u>162,989</u>	<u>6,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,691</u>
FUND BALANCES (DEFICITS)							
Nonspendable:	-	-	-	-	-	-	-
Restricted for:							
Debt service	-	158,368	-	-	-	-	158,368
Street Maintenance	-	-	-	301,846	-	-	301,846
Capital projects funds	-	-	247,287	-	717,157	-	964,445
Other purposes	-	-	-	-	-	-	-
Committed to:							
Assigned to:							
Police	-	-	-	-	-	24,513	24,513
Municipal court	-	-	-	-	-	36,174	36,174
Community projects	-	-	-	-	-	331,790	331,790
Equipment replacement	-	-	-	-	-	55,798	55,798
Building maintenance	-	-	-	-	-	25,039	25,039
Unassigned	<u>2,257,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,257,770</u>
Total fund balances	<u>2,257,770</u>	<u>158,368</u>	<u>247,287</u>	<u>301,846</u>	<u>717,157</u>	<u>473,314</u>	<u>4,155,742</u>
Total liabilities and fund balances	<u>\$ 2,649,872</u>	<u>\$ 165,070</u>	<u>\$ 247,287</u>	<u>\$ 302,626</u>	<u>\$ 717,157</u>	<u>\$ 473,324</u>	<u>\$ 4,555,336</u>

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

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - total governmental funds		4,155,742
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,631,466
Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds.		
	Bonds Payable	(5,133,000)
	Deferred Charges	14,000
	Net Pension Liability	(739,100)
	Accrued Interest	(21,909)
		(5,880,009)
Other long-term liabilities are not recognized as current period revenues and, therefore, are deferred in the funds.		
	Deferred Outflow & Inflow	270,935
	Unearned Revenue	194,924
	Compensated Absences	(135,110)
		330,749
Net position of governmental activities		<u>\$ 9,237,948</u>

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2016

	General Fund	General Debt Service Fund	Capital Projects Fund	Street Maintenance Fund	Roadway Impact Fee Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	\$ 1,591,838	\$ 486,551	\$ -	\$ -	\$ -	\$ -	\$ 2,078,389
Sales	497,451	-	-	123,207	-	-	620,659
Franchise	375,826	-	-	-	-	-	375,826
Building permits and fees	307,832	-	-	-	-	-	307,832
Park development fees	-	-	-	-	-	39,502	39,502
Municipal court fines	274,535	-	-	-	-	14,929	289,463
Roadway impact fees	-	-	-	-	100,503	-	100,503
Contributions	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Interest	14,977	1,315	941	1,509	3,991	2,312	25,045
Intragovernmental	-	-	-	-	-	-	-
Miscellaneous	37,775	3,434	232	-	-	56,948	98,389
Total revenues	<u>3,100,234</u>	<u>491,299</u>	<u>1,173</u>	<u>124,716</u>	<u>104,494</u>	<u>113,690</u>	<u>3,935,607</u>
EXPENDITURES							
Current:							
General government	817,898	-	-	-	-	44,250	862,148
Public safety	944,830	-	-	-	-	8,088	952,918
Municipal court	81,181	-	-	-	-	9,575	90,757
Public works	507,754	-	10,318	79,828	-	-	597,900
Development services	278,259	-	-	-	-	-	278,259
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Debt service							
Principal retirement	-	281,000	-	-	-	-	281,000
Interest	-	193,718	-	-	-	-	193,718
Paying agent fees	-	750	-	-	-	-	750
Total expenditures	<u>2,629,922</u>	<u>475,468</u>	<u>10,318</u>	<u>79,828</u>	<u>-</u>	<u>61,913</u>	<u>3,257,449</u>
Excess (deficiency) of revenues over (under) expenditures	<u>470,312</u>	<u>15,831</u>	<u>(9,145)</u>	<u>44,888</u>	<u>104,494</u>	<u>51,777</u>	<u>678,158</u>
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	(131,700)	16,001	109,000	(10,000)	-	45,000	28,300
Bond proceeds	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Premium on refunded bonds issued	-	-	-	-	-	-	-
Total other financing sources and uses	<u>(131,700)</u>	<u>16,001</u>	<u>109,000</u>	<u>(10,000)</u>	<u>-</u>	<u>45,000</u>	<u>28,300</u>
Net change in fund balances	<u>338,612</u>	<u>31,832</u>	<u>99,854</u>	<u>34,888</u>	<u>104,494</u>	<u>96,777</u>	<u>706,458</u>
Fund balances - beginning	1,919,158	126,536	147,433	266,958	612,663	376,536	3,449,284
Fund balances - ending	<u>\$ 2,257,770</u>	<u>\$ 158,368</u>	<u>\$ 247,287</u>	<u>\$ 301,846</u>	<u>\$ 717,157</u>	<u>\$ 473,314</u>	<u>\$ 4,155,742</u>

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
September 30, 2016

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

Net change in fund balances - total governmental funds	\$	706,458
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		1,540,214
The issuance of long-term debt (e.g., bonds, leases) 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		281,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(98,882)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		196,764
Change in net position of governmental activities	<u>\$</u>	<u>2,625,554</u>

The accompanying notes are an integral part of this statement

**Town of Argyle, Texas
Statement of Net Position
Proprietary Funds
September 30, 2016**

	Wastewater Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 469,859
Receivables (net of allowance for uncollectibles)	45,644
Total current assets	515,503
Noncurrent assets:	
Restricted cash and cash equivalents	402,828
Capital assets (net of accumulated depreciation):	
Equipment	3,846
Vehicles	441
Intangibles	-
Construction in progress	854,950
Wastewater system	1,697,395
Total capital assets (net of accumulated depreciation)	2,556,632
Total noncurrent assets	2,959,460
Total assets	3,474,963
DEFERRED OUTFLOWS OF RESOURCES	15,766
LIABILITIES	
Current liabilities:	
Accounts payable	14,387
Accrued interest payable	23,441
Due to other funds	-
Note payable current	105,556
Total current liabilities	143,384
Noncurrent liabilities:	
Note payable non-current	1,180,842
Accrued and other payables	34,146
Total noncurrent liabilities	1,214,988
Total liabilities	1,358,373
DEFERRED INFLOWS OF RESOURCES	5,453
NET POSITION	
Net investment in capital assets	1,502,777
Restricted for capital improvements	402,828
Unrestricted	221,298
Total net position	\$ 2,126,904

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas
Statement of Revenues, Expenditures and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Wastewater Utility Fund
OPERATING REVENUES:	
Charges for sales and services:	
Wastewater	\$ 370,993
Planning, zoning and review	17,034
Miscellaneous	16,000
Total operating revenues	404,028
OPERATING EXPENSES:	
Costs of sales and services:	
Salaries and benefits	86,101
Treatment fees	209,144
Supplies and maintenance	36,509
Lift station utilities	8,315
Contractual services	5,153
Administration and other operating expenses	2,720
Depreciation	84,380
Total operating expenses	432,324
Operating income (loss)	(28,297)
NONOPERATING REVENUES (EXPENSES):	
Impact fees	105,622
Interest income	5,197
Interest on long term debt	(64,211)
Loss on sale of asset	(15,898)
Capital contribution	998,289
Transfers in/(out)	54,859
Total nonoperating revenue (expenses)	1,083,858
Income before transfers	1,055,561
Transfers out	
Change in net position	1,055,561
Total net position - beginning	813,671
Prior period adjustments	257,672
Total net position - ending	\$ 2,126,904

The accompanying notes are an integral part of this statement.

Town of Argyle, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Wastewater Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 406,423
Cash payments to suppliers for goods and services	(287,682)
Cash payments to employees and professional contractors for services	(89,087)
Net cash provided from operating activities	29,654
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on note	(98,104)
Capital contributions from impact fees	105,622
Interest paid on note	(65,048)
Net cash provided (used) by capital and related financing activities	(57,530)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	5,197
Net cash provided by investing activities	5,197
Net increase (decrease) in cash and cash equivalents	(22,678)
Cash and cash equivalents, October 1, 2015	895,365
Cash and cash equivalents, September 30, 2016	\$ 872,687
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (28,297)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	84,380
(Increase) decrease in accounts receivable	2,396
Increase (decrease) in salaries & benefits payable	(291)
Increase (decrease) in accounts payable	(25,839)
Increase (decrease) in deferred outflow of resources	(7,039)
Increase (decrease) in other liabilities	6,201
Increase (decrease) in deferred inflow of resources	(1,857)
Net cash provided (used) by operating activities	\$ 29,654

The accompanying notes are an integral part of this statement.

TOWN OF ARGYLE, TEXAS
SEPTEMBER 30, 2016
NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Argyle, Texas (the "Town") is a municipal corporation governed by an elected mayor and a five-member council. The Town provides the following services: public safety (police), community development, public works, municipal court, general administration, and wastewater.

The accounting and reporting policies of the Town relating to the funds included in the accompanying annual financial report conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally Accepted Accounting Principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable.) The following is a summary of the more significant accounting policies:

1. The Reporting Entity

In evaluating how to define the Town for financial statement purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles and Governmental Accounting Standards Board Statement No. 14. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability to exercise oversight responsibility includes, but is not limited to: the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters.

Based on the criterion above, the Argyle Economic Development Corporation, which was created in fiscal year 2003 as the result of a successful 4B sales tax election, and the Argyle Crime Control and Prevention District, which was created in fiscal year 2004, are component units of the Town. The financial statements of these component units are discretely presented with the financial statements of the Town. The component units do not issue separate financial statements.

The financial statements include government-wide statements prepared on an accrual basis of accounting and fund financial statements that present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. Combining statements for the non-major governmental funds are included in the supplementary section of this report.

The Town capitalizes and depreciates all infrastructure assets (streets, bridges, traffic signals, etc.) on a prospective basis effective October 1, 2003.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary Town. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

2. Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of funds' assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and from individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statement section of this report into two broad categories as follows:

GOVERNMENTAL FUND TYPES

The primary government of the Town maintains five major governmental funds that include the general fund, debt service fund, general capital projects fund, street maintenance sales tax fund, and the roadway impact fee fund. In addition, the Town maintains nine non-major special revenue funds and one non-major capital projects funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, general capital projects fund, street maintenance sales tax fund, and the roadway impact fee fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single aggregated presentation. Individual funds data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. Funds with no balances in assets, liabilities, revenue or expenditures are excluded from reporting.

General Fund

The general fund is the general operating fund of the Town. It is used to account for all financial resources except amounts required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds account for revenues that are raised for a specific purpose. The primary government of the Town maintains one major special revenue fund, Street Maintenance Sales Tax Fund, and nine individual non-major special revenue funds. These funds are the Court Technology Fund, Court Security Fund, Keep Argyle Beautiful Fund, Parkland Dedication Fund, Tree Reforestation Fund, LEOSE Training Fund, Police Donations Fund, Building Maintenance Fund, and Senior Citizens Organization Fund. During FY16, the Keep Argyle Beautiful Fund applied for and received tax exempt status and created a 501c3. As of the end of FY16, they are no longer a special revenue fund of the Town.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general-long term debt, principal, interest, and related costs. The resources of this fund are provided primarily by taxes levied by the Town (General Fund).

Capital Projects Funds

The capital projects funds are used to account for all financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds). These funds are the General Capital Improvements Fund, Roadway Impact Fee Fund, and the Vehicle Replacement Fund.

PROPRIETARY FUND TYPES**Proprietary Fund**

The proprietary fund is used to account for the operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (cost of sales and services, administrative expenses, and depreciation on capital assets) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges for sales and services or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes. The Wastewater Fund is accounted for under this fund type.

3. Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary funds. Revenues are recognized when earned and expenses are recognized 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 when all of the eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The modified accrual basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the fund financial statements. Modified accrual basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts and sales taxes are considered “measurable” when in the hands of the intermediary collecting governments and are recognized at that time. All major revenues are susceptible to accrual. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized only when payment is due.

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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized in the accounting period in which they are earned and become measurable and expenditures in the accounting period in which they are incurred and become measurable.

4. Cash and Cash Equivalents

Cash and investments are considered to be cash on hand and demand and time deposits as well as short-term investments in State investment pools.

For purposes of the statement of cash flows (proprietary fund types), the Town considers cash deposits and highly liquid investments (including restricted assets) maturing in three

months or less when purchased, to be cash equivalents.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

5. Restricted Assets

Certain bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

6. Inventory and Prepaid Items

Inventories, which are expensed as they are consumed, are stated at the lower of cost or market on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

7. Interfund Receivables and Payables

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "amounts due to" and "amounts due from" other funds appropriately. Any residual balances outstanding between the governmental activities and proprietary-type activities are reported in the government-wide financial statements as "internal balances."

8. Revenue Recognition - Property Taxes

Taxes are levied on October 1 and are due and payable at that time. Ad valorem taxes attach as an enforceable lien on property as of January 1. All unpaid taxes levied October 1 become delinquent February 1 of the following year and are subject to penalty and interest as the Town Council provides by ordinance. Property tax revenues are recognized when they become available. "Available" includes those property taxes receivable which are expected to be collected within sixty days after year-end.

Property subject to taxation consists of real property and certain personal property situated in the Town. Certain properties of religion, education and charitable organizations, as well as the federal government and the State of Texas are exempt from taxation. Additionally, certain exemptions are granted to property owners in arriving at the net assessed valuation of property subject to Town taxation.

9. Allowance for Doubtful Accounts

The Town uses the direct write-off method of recording enterprise fund bad debts, which approximates the percentage method of recording bad debts. No allowance is provided for un-collectible real property taxes, since all real property taxes will ultimately be collected when title to the property is transferred, except in rare instances in which the taxes are discharged in bankruptcy.

10. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are accounted for in the statement of net position, rather than governmental funds. The Town defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed.

11. 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* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first is the deferred outflow for pension contributions resulting from GASB 68. The second item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The balance at September 30, 2016 is \$14,000.

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 government has a deferred inflow from the actuarial pension gain that is presented on the Statement of Net Position from GASB 68. There is only one type of item, which arises only under a modified accrual basis of accounting, which 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 three sources: property taxes, municipal court and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

12. Depreciation

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. Estimated useful lives of major categories of property are as follows:

Infrastructure	40 years
Buildings	50 years
Machinery and equipment	7 – 10 years
Vehicles	5 years

13. Compensated Absences

The Town's employment policy permits employees to accumulate compensation time, earned vacation and unused sick pay leave. A liability for unpaid accumulated sick leave is not recorded since the Town does not have a policy to pay any sick leave amounts when employees separate from service. All vacation pay and accumulated compensation time is accrued when incurred in the government-wide financial statements.

14. Prior Period Adjustments

The Town discovered certain donated capital assets (see NOTE G & H) that were not recorded in the previous years, resulting in a restatement of beginning net position as of September 30, 2016 as follows:

- Increase in Government Activities net position of \$1,282,750 increase in capital assets recorded as of September 30, 2015.
- Increase in Business-type Activities net position of \$257,672 increase in capital assets recorded as of September 30, 2015.

15. Fund Balances

In accordance with GASB No. 54, *Fund Balance in Reporting and Governmental Fund Type Definitions*, the Town classifies its fund equity into five categories:

- *Nonspendable fund balance* includes amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted fund balance* includes amounts that are constrained to specific purposes by their providers or by enabling legislations.
- *Committed fund balance* includes amounts which are constrained to specific purposes by the Town Council through an ordinance or resolution. To be reported as committed, amounts cannot be used for any other purposes unless the Town Council takes the same action to remove or change the constraint.
- *Assigned fund balance* includes amounts a government intends to use for a specific purpose but are neither restricted nor committed. Assignments are made by Town management based on Town Council direction.
- *Unassigned fund balance* includes amounts that are available for any purpose.

Unassigned fund balances are only reported in the general fund.

The Town's highest level of decision-making authority is governed by the Town Council. Passage of a resolution would be required to establish, modify, or rescind a fund balance commitment. The Town Council has the authority to assign amounts to specific purposes. The Town considers restricted amounts spent when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Expenditures incurred for purposes for which amounts to any of the unrestricted fund balance classifications could be used are classified using the highest level of spending constraint available at the time of the expenditure. The Town Council adopted Financial Policies in FY 2016 that establish a General Fund balance requirement of 120 days.

16. Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

17. Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its' use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

18. Budgets

The Town prepares annual budgets for the general fund, special revenue funds, debt service fund, and capital projects funds on a GAAP basis in order to provide appropriate budgetary control over revenues and expenditures through comparison of actual data to budgetary data. If a change in the approved budget is required due to unforeseen circumstances, the Council may approve amendments to the budget. All annual appropriations lapse at fiscal year-end. The legal level of budgetary control is established at the fund level.

NOTE B – CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures* the following disclosures are presented:

Deposits

Statutes authorize the Town to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by Chapter 2256 Public Funds Investments and Chapter 2257 Collateral for Public Funds of the Government Code. The Town’s funds are required to be deposited and invested under the terms of a depository contract and investments policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect Town funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. At September 30, 2016, the Town’s carrying amount of demand deposits was \$6,121,110 while the bank balance also showed \$6,085,322 in deposits at financial banking institutions that are members of the FDIC (Category 1.) Amounts deposited in the bank, including the bank balances of the discretely presented component units in the amounts of \$885,494 for the Economic Development Corporation and \$170,759 for the Crime Control Prevention District, were fully insured by the FDIC (Category 1.) The Town’s deposits were adequately insured or collateralized at all times during the year ended September 30, 2016, and thus had no cash deposits that were exposed to custodial credit risk.

Investments

The Town also had \$193,525 in the Texas Local Government Investment Pool (Texpool) as follows:

	9/30/16 Reported amount, fair/market value
<i>Public funds investment pools</i>	
TexPool General fund	94,190
TexPool Roadway Cap. Improv.	404
TexPool WW Operating	60,236
TexPool EDC fund	38,695
<i>Total public funds investment pools</i>	\$ 193,525

Cash and cash equivalents held in the Texpool are not categorized in regard to credit risk. The State Comptroller of Public Accounts exercises oversight responsibility over Texpool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State comptroller has established an advisory

board composed of Participants in the Texpool and other persons who do not have a business relationship with Texpool. The Advisory Board members review the investment policy and management fee structure. Finally, Standard and Poor's rated the Texpool at AAA. To maintain the rating, weekly portfolio information must be submitted to Standard and Poors and the office of the Comptroller of Public Accounts for review. Texpool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texpool uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position in Texpool is the same as the value of Texpool shares. Deposits held by this public funds investment pool are not subject to custodial credit risk.

Total unrestricted and restricted net position for the primary government and component units in the amount of \$5,457,931 on the statement of net position at September 30, 2016, includes an additional \$400 cash on-hand. Of this amount, \$3,157,130 is unrestricted and available for spending at the Town's discretion.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of September 30, 2016, the Town had no investments that were exposed to concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that an investment dominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. At September 30, 2016, the Town was not exposed to foreign currency risk.

NOTE C – RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities	Governmental Funds			Proprietary Fund	Component Units	
	General Fund	Debt Service	Street Maint.	Enterprise Fund	EDC Fund	CCPD Fund
		Fund	Sales Tax Fund			
Receivables:						
Property tax	\$ 35,509	\$ 9,177	\$ -	\$ 44,685	\$ -	\$ -
Sales tax	91,867	-	22,967	114,834	-	21,504
Franchise fees	93,342	-	-	93,342	-	-
Municipal Court warrants	185,108	-	-	185,108	-	-
Customer accounts	-	-	-	-	45,644	-
Miscellaneous	4,197	-	-	4,197	-	-
Gross Receivables	410,022	9,177	22,967	442,166	45,644	21,504
Less: Allowance for uncollectibles	(79,000)	-	-	(79,000)	-	-
Net total receivables	\$ 331,022	\$ 9,177	\$ 22,967	\$ 363,166	\$ 45,644	\$ 21,504

NOTE D – DELINQUENT AD VALOREM TAX

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current year. At the end of the current fiscal year, the deferred revenue reported in the governmental funds related to delinquent ad valorem taxes was \$34,114.

NOTE E – PROPERTY TAX REVENUE

Ad valorem taxes (property taxes) are billed and collected by Denton County Tax Assessor Collector. For the year ended September 30, 2016, the tax rate was \$0.3975 per \$100 assessed valuation.

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds. There were no such arrangements at September 30, 2016.

NOTE G – GENERAL FIXED ASSETS

Capital assets used in governmental fund type operations are accounted for in the statement of net position, rather than in governmental funds. Public domain "infrastructure" general fixed assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, were capitalized prospectively starting in fiscal year 2003. A prior period adjustment was recorded in FY16 for assets identified as unrecorded during the year. These assets are developer contributed infrastructure. This has resulted in a restated beginning balance. Additionally, the Construction in Progress asset category has increased over FY15 as a result of recognizing infrastructure that has been accepted by the Town but has active maintenance bonds outstanding. The infrastructure was contributed to the Town as part of developer agreements for The Oaks and 5T Ranch developments. Upon expiration of the maintenance bonds, the infrastructure will be converted to a fixed asset. The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2016:

Governmental Activities:	Restated			Ending
	Beginning Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	\$ 224,206	\$ -	\$ -	\$ 224,206
Construction in progress	50,018	1,323,282	(10,473)	1,362,827
Total capital assets not being depreciated	<u>274,224</u>	<u>1,323,282</u>	<u>(10,473)</u>	<u>1,587,033</u>
Capital assets being depreciated:				
Vehicles & equipment	870,380	169,206	(54,320)	985,266
Infrastructure	8,194,519	512,719	-	8,707,238
Intangibles	652,298	16,948	-	669,246
Buildings and improvements	1,994,185	-	-	1,994,185
Totals, capital assets being depreciated	<u>11,711,383</u>	<u>698,873</u>	<u>(54,320)</u>	<u>12,355,935</u>
Less accumulated depreciation for:				
Vehicles & equipment	(649,072)	(67,435)	52,195	(664,313)
Infrastructure	(1,024,819)	(212,305)	-	(1,237,123)
Intangibles	(406,976)	(59,782)	-	(466,759)
Buildings and improvements	(813,487)	(129,821)	-	(943,308)
Total accumulated depreciation	<u>(2,894,355)</u>	<u>(469,343)</u>	<u>52,195</u>	<u>(3,311,503)</u>
Total capital assets being depreciated, net	<u>8,817,028</u>	<u>229,530</u>	<u>(2,126)</u>	<u>9,044,432</u>
Total governmental activities, net	<u>\$ 9,091,252</u>	<u>\$ 1,552,812</u>	<u>\$ (12,599)</u>	<u>\$ 10,631,466</u>

Depreciation for general fixed assets is included as an expense for governmental activities on the statement of activities. Depreciation was allocated to each governmental function as follows:

Governmental activities:	
General government	\$ 187,755
Public safety	50,937
Public works	230,651
Total depreciation expense - governmental activities	<u>\$ 469,343</u>

NOTE H - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT

A prior period adjustment was recorded in FY16 for assets identified as unrecorded during the year. The asset addition was developer contributed infrastructure. This has resulted in a restated beginning balance. The wastewater construction in progress category has increased as a result of recognizing infrastructure that has been accepted by the Town but that has active maintenance bonds outstanding. The infrastructure was contributed to the Town as part of developer agreements for The Oaks and 5T Ranch developments. Upon expiration of the maintenance bonds, the infrastructure will be converted to a fixed asset. The following is a summary of the property, plant and equipment of the enterprise funds at September 30, 2016:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:	147,320	707,630	-	854,950
Capital assets, being depreciated:				
Vehicles	37,629	-	-	37,629
Equipment	121,918	-	(15,544)	106,374
Intangibles	55,638	-	-	55,638
Graveyard branch collection system	687,518	-	-	687,518
Wastewater collection system	2,094,130	345,518	(44,330)	2,395,318
Total capital assets being depreciated	<u>2,996,834</u>	<u>345,518</u>	<u>(59,874)</u>	<u>3,282,478</u>
Less: accumulated depreciation for:				
Vehicles	(34,540)	(2,648)	-	(37,188)
Equipment	(116,138)	(925)	14,534	(102,528)
Graveyard branch collection system	(244,590)	(17,146)	-	(261,735)
Intangibles	(55,638)	-	-	(55,638)
Wastewater collection system	(1,089,485)	(63,662)	29,441	(1,123,706)
Total accumulated depreciation	<u>(1,540,391)</u>	<u>(84,380)</u>	<u>43,976</u>	<u>(1,580,795)</u>
Total capital assets being depreciated, net	<u>1,456,443</u>	<u>261,138</u>	<u>(15,898)</u>	<u>1,701,682</u>
Total business-type activities, net	<u>\$ 1,603,763</u>	<u>\$ 968,768</u>	<u>\$ (15,898)</u>	<u>\$ 2,556,632</u>

NOTE I - LONG TERM LIABILITIES AND CONTRACTUAL OBLIGATIONS

The following is a summary of changes in long-term debt for the year ended September 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Series 2008 C.O. - Town Hall purchase	\$ 845,000	\$ -	\$ (45,000)	\$ 800,000	\$ 45,000
Series 2009 C.O. - renovation	685,000	-	(30,000)	655,000	30,000
Series 2010 C.O. - street improvement	3,410,000	-	(150,000)	3,260,000	155,000
Series 2014 G.O. - Refunding Bonds	474,000	-	(56,000)	418,000	55,000
Total Bonded Indebtedness	<u>5,414,000</u>	<u>-</u>	<u>(281,000)</u>	<u>5,133,000</u>	<u>285,000</u>
Compensated absences	134,185	925	-	135,110	34,734
Total Other Obligations	<u>134,185</u>	<u>925</u>	<u>-</u>	<u>135,110</u>	<u>34,734</u>
Total Governmental Obligations	<u>5,548,185</u>	<u>925</u>	<u>(281,000)</u>	<u>5,268,110</u>	<u>319,734</u>
Business-type activities:					
Wastewater fund					
Notes Payable - City of Denton	269,502	-	(43,104)	226,398	45,556
Series 2008 C.O. - 1st phase TRA	465,000	-	(25,000)	440,000	25,000
Series 2009 C.O. - 2nd phase TRA	650,000	-	(30,000)	620,000	35,000
Total Business-type Obligations	<u>\$ 1,384,502</u>	<u>\$ -</u>	<u>\$ (98,104)</u>	<u>\$ 1,286,398</u>	<u>\$ 105,556</u>

The Town entered into a development agreement with St. Mark's Catholic Church in FY13 for property that was adjacent to and has primary frontage and access on Crawford Road. St. Mark's paid an escrow fee to the Town in an amount equivalent to the Roadway impact Fee for the respective service area at the then prevailing impact rate. The amount of \$29,468 is currently being held in escrow and will be utilized to make future improvements to Crawford Road. The developer is not responsible for any additional improvements to Crawford Road.

There were no significant contracts or encumbrances at September 30, 2016.

LONG TERM DEBT OF THE GOVERNMENTAL ACTIVITIES

On December 11, 2008, the Town issued Certificates of Obligation in the amount of \$1,010,000 for the purchase of the existing Argyle United Methodist Church with the intended renovation of same for Town Hall. The bonds were issued with a 4.5% rate and mature on September 30, 2029. As of September 30, 2016, the principal balance was \$800,000. Payment of the bonds will be from the levy and collection of ad valorem tax revenue.

On January 6, 2009 the Town issued Certificates of Obligation in the amount of \$800,000 for the renovation of the Argyle United Methodist Church and Argyle Police Dept. and Court Building. The interest rate on these bonds is 4.98% with a maturity date of September 30, 2030. As of September 30, 2016, the principal balance was \$655,000. Payment of the bonds will be from the levy and collection of ad valorem tax.

On September 24, 2010, the Town issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010 in the amount of \$3,650,000 for the use of a comprehensive Town-wide street reconstruction and improvement project. The series 2010 Certificates of Obligation are direct obligations of the Town payable from a combination of ad valorem tax revenues on all taxable property in the Town, and a limited pledge of surplus net revenues of the Town's sewer system.

The 2010 Certificates of Obligation are issued as serial certificates maturing February 15 in each year from 2014 through 2020 and term certificates maturing February 15, 2022, February 15, 2024, February 15, 2026, February 15, 2028 and February 15, 2031. Interest rates on the certificates range from 2.00% to 4.00% and interest is payable February 15 and August 15 until maturity or prior redemption.

The Town reserves the right, at its option, to redeem the 2010 Certificates having stated maturities on and after February 15, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2020, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. As of September 30, 2016, the principal balance was \$3,260,000.

On June 5, 2014, the Town issued general obligation refunding bonds series 2014 with the original principal amount of \$531,000 to advance refund \$510,000 of certificates of combination tax and revenue certificates of obligation series 2003. The series 2014 obligations carry an interest rate of 2.080%. As of September 30, 2016, the principal balance of the 2014 series obligations was \$418,000. The Town's obligation under the 2014 long-term contract expires with the retirement of the bonds in the fiscal year ending February 15, 2023.

The principal and interest requirements related to these governmental contractual obligations at September 30, 2016 are as follows:

Year	Principal	Interest	Total
2017	\$ 285,000	\$ 185,994	\$ 470,994
2018	304,000	166,799	470,799
2019	313,000	167,643	480,643
2020	331,000	152,993	483,993
2021	340,000	146,613	486,613
2022 - 2026	1,755,000	544,788	2,299,788
2027 - 2031	1,805,000	176,876	1,981,876
Total	\$ 5,133,000	\$ 1,541,706	\$ 6,674,706

The Town was upgraded from a bond rating of A+ to AA with stable outlook in March 2014 by Standard & Poor's. This upgrade was predicated on fiscal years 2010, 2011, and 2012. It is a positive reflection of the Town's strong financial position resulting from conservative budgeting and management practices, strong ad valorem values, and proximity in the Dallas-Ft. Worth Metroplex.

Town employees accrue two weeks of vacation leave after one year of service. Town employees accumulate sick leave at the rate of one day per month with no maximum accumulation. The accrual of compensated absences for governmental activities at September 30, 2016 is \$135,587.

LONG TERM DEBT OF THE WASTEWATER FUND

In July, 2001, The Town and the City of Denton ("Denton") entered into a contract for Denton to treat wastewater on a wholesale basis for Town. The Town is to comply with all contractual provisions and reimburse Denton for the related costs of the capital improvement. The construction improvement received was valued at \$687,518, and a related note payable of \$687,518 was given to Denton.

The note payable to Denton is payable in semi-annual installment payments of \$28,813, including interest at 5.61 %, maturing in January 2021. In February 2001, the Town entered into a Sub-divider's Agreement with Wynn/Jackson Lakes Development, L.P. ("Developer") pursuant to which the Developer has agreed to pay into a wastewater escrow account the amount of \$21,397 on a quarterly basis, less any wastewater impact fees collected by the Town from applicants for wastewater service within the Developer's project. The Developer's obligation will terminate at such time as the Developer or applicants for wastewater service have paid \$561,676 into the escrow account. These guaranteed quarterly payments by the Developer will service the semi-annual note payments to the City of Denton described above. The remaining principal balance of Notes Payable – City of Denton at September 30, 2016 is \$226,398.

On December 11, 2008, the Town issued Certificates of Obligation in the amount of \$565,000 with an interest rate of 4.5% for participation in the first phase of the TRA Wastewater Line. The bonds will be repaid from wastewater rates and will mature on September 30, 2029. The remaining principal balance on September 30, 2016 is \$440,000.

On June 30, 2009, the Town issued Certificates of Obligation in the amount of \$730,000 with an interest rate of 4.75% for participation in the second phase of the TRA Wastewater Line. The bonds will be repaid from wastewater rates and will mature on September 30, 2029. The

remaining principal balance on September 30, 2016 is \$620,000.

The following is a summary of the Town’s Enterprise Fund long-term future debt service for the fiscal year ended September 30, 2016:

Year	Principal	Interest	Total
2017	105,556	59,927	\$ 165,483
2018	108,147	54,548	162,696
2019	110,886	45,340	156,227
2020	123,781	43,108	166,889
2021	98,027	36,799	134,826
2022 - 2026	420,000	125,244	545,244
2027 - 2029	320,000	22,775	342,775
Total	\$ 1,286,398	\$ 387,741	\$ 1,674,138

NOTE J - CAPITAL LEASES

For the year ended September 30, 2016, the Town had no capital leases.

NOTE K – RESTRICTED ASSETS

The balance of the restricted cash account in the Roadway Impact Fees Fund is:
Demand deposits of \$717,157.

The balances of the restricted cash accounts in the Wastewater enterprise fund are as follows:
Demand deposits of \$402,828.

NOTE L – LITIGATION AND CONTINGENCIES

The Town’s Attorney (general legal counsel) expresses the opinion that there does not now exist any material pending or threatened litigation, claim or assessment, or an unasserted claim and/or assessment, which individually or collectively represent a potential loss exposure to the Town of Argyle, Texas.

NOTE M - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission, injuries to employees; and natural disaster. The Town purchases commercial insurance through Texas Municipal League. The Town retains no risk of loss for the following coverage types. The Town accounts for risk management issues in accordance with GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”. Settlement of claims has not exceeded coverage in the past three years.

Type of Coverage

General liability	Errors & Omissions liability
Law enforcement liability	Crime Coverage
Automobile liability	Automobile physical damage
Worker's Compensation	Real & Personal Property

NOTE N – INTERFUND BALANCES AND TRANSFERS

Inter-fund transfers are reported in the governmental funds and proprietary fund financial statements. In the government-wide statements, inter-fund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Transfers are used to (1) move revenues collected in the special revenue funds to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, (3) reimburse one fund for services provided to another fund, and (4) move unrestricted General Fund revenues to Capital Improvements Project Fund as determined by the Council for capital projects.

Interfund transfers between the primary government's funds consisted of:

	Transfers To Funds	Transfers From Funds
100 Primary Government		
General Fund:		
Economic Development Fund	-	28,300
Street Maint. Sales Tax Fund	-	10,000
Capital Improvement Fund	125,000	
Building Maintenance Fund	25,000	
Equipment Replacement Fund	20,000	-
210 Economic Development Fund		
General Fund	28,300	-
Wastewater CIP Fund	54,859	-
230 Street Maint. Sales Tax Fund		
General Fund	10,000	-
235 Building Maintenance Fund		
General Fund	-	25,000
310 Capital Improvement Fund		
General Fund	-	125,000
Debt Service Fund	16,000	
330 Equipment Replacement Fund		
General Fund	-	20,000
410 Debt Service Fund		
Street Maint. Sales Tax Fund	-	-
Capital Improvement Fund	-	16,000
710 Wastewater Utility Fund		
Wastewater Impact Fee Fund	-	28,813
Wastewater CIP Fund	-	110,092
720 Wastewater CIP Fund		
Wastewater Operating Fund	110,092	
Economic Development Fund	-	54,859
730 Wastewater Impact Fee Fund		
Wastewater Utility Fund	28,813	-
Total	418,064	418,064

There were no Interfund receivables or payables at September 30, 2016.

NOTE O – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Plan Description

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

All eligible employees of the Town 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 Town, within the options available in the state statutes governing TMRS.

Plan provisions for the Town were as follows:

	Plan Year 2016	Plan Year 2015
Employee deposit rate	7.0%	7.0%
Matching ratio (Town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the Town-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% of the member’s deposits and interest.

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

	2015
- Inactive employees or beneficiaries currently receiving benefits	13
- Inactive employees entitled to but not yet receiving benefits	24
- Active employees	22
- Total	59

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each Town 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 the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 15.12% and 14.99% in calendar years 2015 and 2016, respectively. The Town's contributions to TMRS for the year ended September 30, 2016 were \$209,655, and were equal to the required contributions. Additionally, the Town made a \$100,000 contribution to the unfunded liability at the end of FY 2106. The benefit of this additional payment will not be reflected until the next TMRS pension analysis for the Town in December, 2016.

Net Pension Liability

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

Actuarial assumptions

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

Inflation	2.5%
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 Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100%	

Discount Rate

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

Changes in the Net Pension Liability

Changes in the net pension liability for the Town are summarized in the following table:

	Changes in the Net Pension Liability		
	Total Pension Liability	Plan Fiduciary Net Pension (b)	Net Pension Liability
	(a)		(a) – (b)
Balance at 12/31/2014	\$ 3,737,038	\$3,168,326	\$ 568,712
Changes for the year:			
Service Cost	263,016		
Interest	269,509		
Change of benefit terms			
Difference between expected and actual experience	(58,176)		
Change of assumptions	40,352		
Contributions - employer		210,859	
Contributions - employee		97,620	
Net investment income		4,677	
Benefit payments, including refunds of employee contributions	(36,849)	(36,849)	
Administrative expense		(2,848)	
Other changes		(141)	
Net changes	477,852	273,318	
Balance at 12/31/2015	\$ 4,214,890	\$3,441,644	\$ 773,246

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease	Current Single Rate Assumption	1% Increase
	5.75%	6.75%	7.75%
Town's net pension liability	\$1,490,383	\$773,246	\$197,133

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 may be obtained on the Internet at www.tmr.com.

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

For the fiscal year ended September 30, 2016, the Town recognized pension expense of \$208,967. And the calculation of the expense is summarized in the following table:

Schedule of Pension Expense	
Total service cost	\$ 263,016
Interest on the total pension liability	269,509
Current period benefit changes	
Employee contributions (reduction of expense)	(97,620)
Projected earnings on plan investments (reduction of expense)	(221,783)
Administrative expense	2,848
Other changes in fiduciary net position	141
Recognition of current year outflow (inflow) of resources – liabilities	(4,618)
Recognition of current year outflow (inflow) of resources – assets	43,421
Amortization of prior year outflows (inflows) of resources – liabilities	(53,078)
Amortization of prior year outflows (inflows) of resources – assets	7,131
Total pension expense	\$ 208,967

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

Schedule of Deferred Outflows and Inflows of Resources				
	Deferred Outflows of Resources	Deferred Inflow of Resources	2015 Recognized in Current Pension Expense	Deferred (Inflow)/Outflow infuture expense
Differences between expected and actual economic experience	\$ -	\$ (58,176)	\$ (15,072)	\$ (43,104)
Changes in actuarial assumptions	40,352	-	10,454	29,898
Difference between projected and actual investment earnings	217,106	-	43,421	173,685
Contributions subsequent to the measurement date	249,772	-	-	249,772
Total	\$ 507,230	\$ (58,176)	\$ 38,803	\$ 410,251

\$249,772 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 position liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Amount
2016	\$ (7,144)
2017	3,319
2018	46,581
2019	43,422
2020	-
2020	-
Thereafter	
Total	\$ 86,178

NOTE P - SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through March 22, 2017, the date the financial statements were available to be issued.

NOTE Q – NEW AND FUTURE FINANCIAL REPORTING REQUIREMENTS

Statement No. 63 “*Financial Report of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” – This statement standardized the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government’s net

position. The only impact of implementation of this standard was changing financial statement items previously called “net assets” to be titled “net position”. The Town has no items that are required by this statement to be presented as deferred outflows of resources or deferred inflows of resources.

Statement No. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liabilities that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date. This statement became effective for the Town in fiscal year 2015, and is reflected in the Government Wide statements.



Required Supplementary Information

For the fiscal year ended
September 30, 2016

Town of Argyle, Texas
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,545,640	\$ 1,545,640	\$ 1,591,838	\$ 46,198
Sales	367,200	460,224	497,451	37,227
Franchise	370,000	378,000	375,826	(2,174)
Municipal court fines	192,000	255,000	274,535	19,535
Building permits and fees	294,262	283,168	307,832	24,664
Interest	5,000	12,000	14,977	2,977
Intergovernmental	-	-	-	-
Other Proceeds	4,800	11,048	37,775	26,727
Total revenues	<u>\$ 2,778,902</u>	<u>\$ 2,945,080</u>	<u>\$ 3,100,234</u>	<u>\$ 155,154</u>
EXPENDITURES				
Current:				
General government	\$ 790,840.19	\$ 864,471.90	\$ 817,897.99	\$ 46,573.91
Police	1,065,023	1,026,691	944,830	81,861
Municipal court	86,496	85,871	81,181	4,690
Street Maintenance	513,387	553,923	507,754	518,937
Community Development	351,133	292,914	278,259	14,655
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>\$ 2,806,879</u>	<u>\$ 2,823,870</u>	<u>\$ 2,629,922</u>	<u>\$ 666,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (27,977)</u>	<u>\$ 121,210</u>	<u>\$ 470,312</u>	<u>\$ 821,870</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	\$ 28,300	\$ (121,700)	\$ (131,700)	\$ (10,000)
Sale of assets	-	-	-	-
Total other financing sources and uses	<u>\$ 28,300</u>	<u>\$ (121,700)</u>	<u>\$ (131,700)</u>	<u>\$ (10,000)</u>
Net change in fund balances	323	(490)	338,612	\$ 811,870
Fund balances - beginning	1,919,158	1,919,158	1,919,158	
Fund balances - ending	<u>\$ 1,919,481</u>	<u>\$ 1,918,668</u>	<u>\$ 2,257,770</u>	

Town of Argyle, Texas
Street Maintenance Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 91,080	\$ 114,618	\$ 123,207	\$ 8,589
Interest	1,000	1,100	1,509	409
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>\$ 92,080</u>	<u>\$ 115,718</u>	<u>\$ 124,716</u>	<u>\$ 8,998</u>
EXPENDITURES				
Current:				
General government	\$ -	\$ -	\$ -	\$ -
Street Maintenance	145,000	99,048	79,828	19,220
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>\$ 145,000</u>	<u>\$ 99,048</u>	<u>\$ 79,828</u>	<u>19,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (52,920)</u>	<u>\$ 16,670</u>	<u>\$ 44,888</u>	<u>28,218</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (10,000)	(10,000)
Sale of assets	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>(10,000)</u>
Net change in fund balances	<u>\$ (52,920)</u>	<u>\$ 16,670</u>	<u>\$ 34,888</u>	<u>18,218</u>
Fund balances - beginning	266,958	266,958	266,958	
Fund balances - ending	<u>\$ 214,038</u>	<u>\$ 283,628</u>	<u>\$ 301,846</u>	

Town of Argyle, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2016

	<u>2015</u>	<u>2014</u>
A. Total pension liability		
Service cost	\$ 263,016	\$ 229,039
Interest	269,509	251,574
Change of benefit terms	-	-
Difference between expected and actual experience	(58,176)	(201,849)
Changes of assumptions	40,352	-
Benefit payments, including refunds of employee contributions	(36,849)	(42,232)
Net Change in Total Pension Liability	477,852	236,532
Total Pension Liability - Beginning	3,737,038	3,500,506
Total Pension Liability - Ending (a)	\$ 4,214,890	\$ 3,737,038
B. Plan Fiduciary Net Position		
Contributions - employer	\$ 210,859	\$ 172,481
Contributions - employee	97,620	87,926
Net investment income	4,677	159,797
Benefit payments, including refunds of employee contributions	(36,849)	(42,232)
Administrative expense	(2,848)	(1,668)
Other changes	(141)	(137)
Net Change in Plan Fiduciary Net Position	273,318	376,167
Plan Fiduciary Net Position - Beginning	3,168,326	2,792,159
Plan Fiduciary Net Position - Ending (b)	3,441,644	3,168,326
C. Net Pension Liability - Ending (a) - (b)	\$ 773,246	\$ 568,712
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.65%	84.78%
E. Covered Employee Payroll	\$ 1,394,570	\$ 1,240,899
F. Net Pension Liability as a Percentage of Covered Employee Payroll	55.45%	45.83%

Town of Argyle, Texas
 Required Supplementary Information
 Schedule of Contributions
 September 30, 2016

	2015	2014
Actuarially Determined Contribution	206,003	202,634
Contributions in relation to the actuarially determined contribution	(209,784)	(211,599)
Contribution deficiency (excess)	(3,780)	(8,965)
Covered employee payroll	1,396,073	1,371,849
Contributions as a percentage of covered employee payroll	14.76%	14.77%

Valuation date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town'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

Other Information:

Notes There were no benefit changes during the year.

**TOWN OF ARGYLE, TEXAS
SEPTEMBER 30, 2016
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY INFORMATION

The Town follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The Town Manager submits to the Town Council a proposed budget for the fiscal year commencing the following October 1. The budget includes proposed expenditures and the means of financing them.
2. Prior to October 1, the budget is legally adopted through passage of an ordinance. This budget is reported as the Original Budget in the budgetary comparison schedules.
3. During the fiscal year, changes to the adopted budget may be authorized, as follows:
 - a. Items requiring Town Council action – appropriation of fund balance reserves; transfers of appropriations between funds; new inter-fund loans or advances; and creation of new capital projects or increases to existing capital projects.
 - b. Items delegated to the Town Manager – appropriation balances from an expenditure account to another within a single fund
4. Annual budgets are legally adopted and amended as required for the general, special revenue and debt service funds. Project length budgets are adopted for the capital projects funds. All budgets are adopted on a basis consistent with generally accepted accounting principles. Budgets are adopted for the proprietary funds annually only as a management tool. There are no legally mandated budgetary constraints for the proprietary funds.
5. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
6. The appropriated budget is prepared by fund, function and department. The Town's management may make transfers of appropriations within a fund. Transfers of appropriations between funds require the approval of the Town Council. The legal level of budgetary control is the fund level.
7. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be re-appropriated and honored during the subsequent year.



Combining & Individual Fund Statements & Schedules

For the fiscal year ended
September 30, 2016

City of Argyle, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	Special Revenue			
	Court Technology Fund	Court Security Fund	Keep Argyle Beautiful Fund	Parkland Dedication Fund
ASSETS				
Current assets	\$ 13,331	\$ 22,842	\$ -	\$ 279,534
Sales tax receivable				
Total assets	13,331	22,842	-	279,534
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Nonspendable:	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned to:				
Police	-	-	-	-
Municipal court	13,331	22,842	-	-
Community projects	-	-	-	279,534
Equipment replacement	-	-	-	-
Building Maintenance	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	13,331	22,842	-	279,534
Total liabilities and fund balances	\$ 13,331	\$ 22,842	\$ -	\$ 279,534

City of Argyle, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

Tree Reforestation Fund	Special Revenue				Capital Projects	Total
	LEOSE Training Fund	Police Donations Fund	Senior Citizen Organization Fund	Building Maintenance Fund	Equipment Replacement Fund	Nonmajor Governmental Funds
\$ 49,542	\$ 6,347	\$ 18,165	\$ 2,724	\$ 25,039	\$ 55,798	\$ 473,324
49,542	6,347	18,165	2,724	25,039	55,798	473,324
-	-	-	11	-	-	11
-	-	-	11	-	-	11
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,347	18,165	-	-	-	24,513
-	-	-	-	-	-	36,174
49,542	-	-	2,714	-	-	331,790
-	-	-	-	-	55,798	55,798
-	-	-	-	25,039	-	25,039
-	-	-	-	-	-	-
49,542	6,347	18,165	2,714	25,039	55,798	473,314
\$ 49,542	\$ 6,347	\$ 18,165	\$ 2,724	\$ 25,039	\$ 55,798	\$ 473,324

Town of Argyle, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue			
	Court Technology Fund	Court Security Fund	Keep Argyle Beautiful Fund	Parkland Dedication Fund
REVENUES				
Sales and use taxes	\$ -	\$ -	\$ -	\$ -
Park development fees	-	-	-	39,502
Municipal court fines	8,522	6,407	-	-
Roadway impact fees	-	-	-	-
Contributions	-	-	-	-
Intergovernmental	-	-	-	-
Interest	83	124	-	1,545
Miscellaneous	-	-	4,375	-
	<u>8,604</u>	<u>6,531</u>	<u>4,375</u>	<u>41,047</u>
EXPENDITURES				
Current:				
General government	-	-	35,124	7,500
Public safety	-	-	-	-
Public works	-	-	-	-
Municipal court	8,521	1,054	-	-
Total expenditures	<u>8,521</u>	<u>1,054</u>	<u>35,124</u>	<u>7,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83</u>	<u>5,477</u>	<u>(30,749)</u>	<u>33,547</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	83	5,477	(30,749)	33,547
Fund balances - beginning	13,248	17,366	30,749	245,986
Fund balances - ending	<u>\$ 13,331</u>	<u>\$ 22,842</u>	<u>\$ -</u>	<u>\$ 279,534</u>

Town of Argyle, Texas
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year Ended September 30, 2016

Tree Reforestation Fund	Special Revenue				Capital Projects	Total
	LEOSE Training Fund	Police Donations Fund	Senior Citizen Organization Fund	Building Maintenance Fund	Equipment Replacement Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	39,502
-	-	-	-	-	-	14,929
-	-	-	-	-	-	-
-	-	-	-	-	-	-
75	39	138	18	39	250	2,312
44,200	1,155	4,554	1,358	-	1,306	56,948
<u>44,275</u>	<u>1,194</u>	<u>4,692</u>	<u>1,376</u>	<u>39</u>	<u>1,557</u>	<u>113,690</u>
-	-	-	1,626	-	-	44,250
-	1,343	6,745	-	-	-	8,088
-	-	-	-	-	-	-
-	-	-	-	-	-	9,575
-	<u>1,343</u>	<u>6,745</u>	<u>1,626</u>	-	-	<u>61,913</u>
<u>44,275</u>	<u>(149)</u>	<u>(2,052)</u>	<u>(250)</u>	<u>39</u>	<u>1,557</u>	<u>51,777</u>
-	-	-	-	25,000	20,000	45,000
-	-	-	-	25,000	20,000	45,000
44,275	(149)	(2,052)	(250)	25,039	21,557	96,777
5,267	6,496	20,218	2,964	-	34,242	376,536
<u>\$ 49,542.16</u>	<u>\$ 6,347</u>	<u>\$ 18,165</u>	<u>\$ 2,714</u>	<u>\$ 25,039</u>	<u>\$ 55,798</u>	<u>\$ 473,314</u>

Town of Argyle, Texas
Argyle Economic Development Corp. Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 182,160	\$ 229,237	\$ 246,414	\$ 17,177
Interest	2,200	2,000	4,121	2,121
Intergovernmental	-	-	-	-
Miscellaneous	-	10,175	-	(10,175)
Total revenues	<u>\$ 184,360</u>	<u>\$ 241,412</u>	<u>\$ 250,535</u>	<u>\$ 9,123</u>
EXPENDITURES				
Current:				
General government	\$ 132,616	\$ 106,050	\$ 71,185	\$ -
Capital projects	164,130	164,130	-	164,130
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>\$ 296,746</u>	<u>\$ 270,180</u>	<u>\$ 71,185</u>	<u>\$ 164,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (112,386)</u>	<u>\$ (28,768)</u>	<u>\$ 179,350</u>	<u>\$ 173,253</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	\$ (28,300)	\$ (28,300)	\$ (83,159)	\$ (54,859)
Sale of assets	-	-	-	-
Total other financing sources and uses	<u>\$ (28,300)</u>	<u>\$ (28,300)</u>	<u>\$ (83,159)</u>	<u>\$ (54,859)</u>
Net change in fund balances	<u>\$ (140,686)</u>	<u>\$ (57,068)</u>	<u>\$ 96,191</u>	<u>\$ 118,394</u>
Fund balances - beginning	833,262	833,262	833,262	
Fund balances - ending	<u>\$ 692,576</u>	<u>\$ 776,194</u>	<u>\$ 929,454</u>	

Town of Argyle, Texas
Crime Control Prevention District Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary and Actual
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 91,080	\$ 114,618	\$ 127,962	\$ 13,344
Interest	4,000	1,000	1,041	41
Intergovernmental	-	-	6,850	6,850
Miscellaneous	-	-	-	-
Total revenues	<u>95,080</u>	<u>115,618</u>	<u>135,853</u>	<u>20,235</u>
EXPENDITURES				
Current:				
Public Safety	171,649	138,519	123,923	-
General Government	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>171,649</u>	<u>138,519</u>	<u>123,923</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,569)</u>	<u>(22,901)</u>	<u>11,930</u>	<u>20,235</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Sale of assets	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(76,569)</u>	<u>(22,901)</u>	<u>11,930</u>	<u>20,235</u>
Fund balances - beginning	166,939	166,939	166,939	
Fund balances - ending	<u>\$ 90,370</u>	<u>\$ 144,038</u>	<u>\$ 178,868</u>	



M. Vail & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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Members:
American Institute of CPAs
Texas Society of CPAs

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards

To the Honorable Mayor and Town Council
Town of Argyle, Texas
308 Denton Street,
Argyle, TX 76226

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Argyle, Texas (The "Town"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "M. C. Aul & Associates, P.C." The signature is written in a cursive, flowing style.

Richardson, Texas
March 22, 2017



Statistical Section

For the fiscal year ended
September 30, 2016

TOWN OF ARGYLE, TEXAS
 SCHEDULE OF NET POSITION BY COMPONENT
 Last Six Fiscal Years

B-1

	Fiscal Year					
	2011	2012	2013	2014	2015	2016
Governmental activities						
Net investment in capital position	\$ 2,188,806	\$ 2,551,181	\$ 2,560,671	\$ 2,416,889	\$ 2,409,501	\$ 5,512,466
Restricted	2,323,337	2,157,445	2,083,447	1,435,797	1,530,126	1,897,972
Unrestricted	128,658	137,753	544,279	1,671,466	1,390,017	1,827,510
Total governmental activities net assets	<u>\$ 4,640,801</u>	<u>\$ 4,846,379</u>	<u>\$ 5,188,397</u>	<u>\$ 5,524,153</u>	<u>\$ 5,329,644</u>	<u>\$ 9,237,948</u>
Business-type activities						
Net investment in capital position	\$ 489,982	\$ 262,016	\$ 265,738	\$ 373,181	\$ 302,909	\$ 1,502,777
Restricted	93,274	356,510	387,143	510,257	435,256	402,828
Unrestricted	245,786	145,228	149,467	12,528	75,507	221,298
Total business-type activities net assets	<u>\$ 829,042</u>	<u>\$ 763,754</u>	<u>\$ 802,348</u>	<u>\$ 895,966</u>	<u>\$ 813,671</u>	<u>\$ 2,126,904</u>
Primary government						
Net investment in capital position	\$ 2,678,788	\$ 2,813,197	\$ 2,826,409	\$ 2,790,070	\$ 2,712,410	\$ 7,015,243
Restricted	2,416,611	2,513,955	2,470,590	1,946,055	1,965,382	2,300,800
Unrestricted	374,444	282,981	693,746	1,682,994	1,465,523	2,048,809
Total primary government net assets	<u>\$ 5,469,843</u>	<u>\$ 5,610,133</u>	<u>\$ 5,990,745</u>	<u>\$ 6,420,119</u>	<u>\$ 6,143,315</u>	<u>\$ 11,364,852</u>

TOWN OF ARGYLE, TEXAS
 CHANGES IN NET POSITION, LAST SIX FISCAL YEARS
 (accrual basis of accounting)

B-2

Expenses	Fiscal Year					
	2011	2012	2013	2014	2015	2016
Governmental activities:						
General Government	\$ 794,294	\$ 978,269	\$ 754,240	\$ 800,749	\$ 815,471	\$ 991,022
Public Safety	1,003,364	958,537	977,878	934,970	1,036,907	859,878
Municipal Court	136,692	149,083	168,701	125,067	138,908	88,206
Public Works	551,604	478,195	546,050	519,611	664,592	704,603
Development Services	188,510	240,333	260,348	291,735	328,032	275,464
Interest on Long Term Debt	228,495	228,794	226,347	216,600	201,061	192,831
Total governmental activities expenses	<u>2,902,959</u>	<u>3,033,211</u>	<u>2,933,564</u>	<u>2,888,732</u>	<u>3,184,972</u>	<u>3,112,005</u>
Business-type activities:						
Wastewater utility	348,440	388,921	372,228	463,095	484,468	512,434
Total business-type activities expenses	<u>348,440</u>	<u>388,921</u>	<u>372,228</u>	<u>463,095</u>	<u>484,468</u>	<u>512,434</u>
Total primary government expenses	<u>\$ 3,251,399</u>	<u>\$ 3,422,132</u>	<u>\$ 3,305,792</u>	<u>\$ 3,351,827</u>	<u>\$ 3,669,440</u>	<u>\$ 3,624,439</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General Government	\$ 755	\$ 8,877	\$ 9,560	9,027	9,593	26,827
Public Safety	16,225	15,714	16,001	238	1,023	550
Municipal Court	289,513	227,841	270,421	135,168	239,813	289,463
Public Works	43,057	91,606	107,550	158,526	96,989	100,503
Development Services	192,009	237,805	284,534	313,151	366,651	307,832
Operating grants and contributions	20,845	102,271	25,807	57,909	55,032	60,187
Capital grants and contributions	14,132	18,322	1,350	11,808	2,878	1,772,418
Total governmental activities program revenues	<u>576,536</u>	<u>702,436</u>	<u>715,223</u>	<u>685,827</u>	<u>771,980</u>	<u>2,557,781</u>
Business-type activities:						
Charges for services:						
Wastewater utility	275,991	287,711	307,798	351,202	361,970	404,028
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	34,250	19,623	87,306	221,490	48,018	1,103,911
Total business-type activities program revenues	<u>310,241</u>	<u>307,334</u>	<u>395,104</u>	<u>572,692</u>	<u>409,989</u>	<u>1,507,939</u>
Total primary government program revenues	<u>\$ 886,777</u>	<u>\$ 1,009,770</u>	<u>\$ 1,110,327</u>	<u>\$ 1,258,519</u>	<u>\$ 1,181,968</u>	<u>\$ 4,065,719</u>
Net (Expense) Revenue						
Governmental Activities	\$ (2,326,423)	\$ (2,330,775)	\$ (2,218,341)	(2,202,905)	(2,412,992)	(554,224)
Business-type Activities	(38,199)	(81,587)	22,876	109,597	(74,479)	995,505
Total Primary government net expense	<u>\$ (2,364,622)</u>	<u>\$ (2,412,362)</u>	<u>\$ (2,195,465)</u>	<u>\$ (2,093,308)</u>	<u>\$ (2,487,472)</u>	<u>\$ 441,281</u>
General Revenues and Other Changes in Net Position						
Governmental Activities:						
Taxes						
Property Taxes	\$ 1,629,515	\$ 1,748,106	\$ 1,665,290	1,708,885	1,838,958	2,079,623
Sales Taxes	364,670	357,641	391,252	461,162	498,650	620,659
Franchise Taxes	337,114	329,781	336,248	368,632	388,363	375,826
Interest	108,867	74,933	76,595	40,626	23,370	26,199
Intergovernmental	-	-	-	-	-	-
Miscellaneous	38,517	25,893	67,974	7,409	457	49,172
Transfers in (out)	-	-	23,000	-	28,300	28,300
Total Governmental Activities	<u>2,478,683</u>	<u>2,536,354</u>	<u>2,560,359</u>	<u>2,586,714</u>	<u>2,778,097</u>	<u>3,179,778</u>
Business-type Activities:						
Interest Earnings	17,387	16,298	15,719	8,424	4,782	5,197
Transfers in (out)	-	-	-	-	15,870	54,859
Total Business-type Activities	<u>17,387</u>	<u>16,298</u>	<u>15,719</u>	<u>8,424</u>	<u>20,652</u>	<u>60,056</u>
Total Primary Government	<u>\$ 2,496,070</u>	<u>\$ 2,552,652</u>	<u>\$ 2,576,078</u>	<u>\$ 2,595,138</u>	<u>\$ 2,798,750</u>	<u>\$ 3,239,834</u>
Change in Net Position						
Governmental Activities	\$ 152,260	\$ 205,579	\$ 342,018	\$ 383,809	\$ 365,105	\$ 2,625,554
Business-type Activities	(20,812)	(65,289)	38,595	118,021	(53,827)	1,055,561
Total Primary Government	<u>\$ 131,448</u>	<u>\$ 140,290</u>	<u>\$ 380,613</u>	<u>\$ 501,830</u>	<u>\$ 311,278</u>	<u>\$ 3,681,115</u>

TOWN OF ARGYLE, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Unassigned	\$ 762,037	\$ 364,528	\$ 663,136	\$ 927,459	\$ 1,093,107	\$ 1,116,794	\$ 1,365,298	\$ 1,680,523	\$ 1,919,158	\$ 2,257,770
Reserved for other *	-	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 762,037</u>	<u>\$ 364,528</u>	<u>\$ 663,136</u>	<u>\$ 927,459</u>	<u>\$ 1,093,107</u>	<u>\$ 1,116,794</u>	<u>\$ 1,365,298</u>	<u>\$ 1,680,523</u>	<u>\$ 1,919,158</u>	<u>\$ 2,257,770</u>
All Other Governmental Funds										
Restricted for:										
Capital Projects	\$ 144,975	\$ 351,113	\$ 175,565	\$ 208,604	\$ 1,469,423	\$ 1,196,647	\$ 947,574	\$ 166,424	\$ 147,433	\$ 247,287
Debt Service	149,549	185,448	188,822	164,250	130,797	142,431	124,106	\$ 122,312	\$ 126,536	\$ 158,368
Street Maintenance	187,731	132,930	199,888	274,971	298,011	303,016	305,662	\$ 261,292	\$ 266,958	\$ 301,846
Capital funds	74,437	56,093	79,315	94,917	140,502	235,915	349,532	\$ 512,535	\$ 612,663	\$ 717,157
Assigned to:										
Equipment replacement	36,971	31,689	26,565	8,636	8,837	31,510	74,911	\$ 59,666	\$ 34,242	\$ 55,798
Unassigned, reported in:										
Special revenue funds	204,991	257,502	279,327	254,986	275,767	247,926	281,662	\$ 313,568	\$ 342,295	\$ 417,516
Total all other governmental funds	<u>\$ 798,654</u>	<u>\$ 1,014,775</u>	<u>\$ 949,482</u>	<u>\$ 1,006,364</u>	<u>\$ 2,323,337</u>	<u>\$ 2,157,445</u>	<u>\$ 2,083,447</u>	<u>\$ 1,435,797</u>	<u>\$ 1,530,126</u>	<u>\$ 1,897,972</u>
Total fund balances	<u>\$ 1,560,691</u>	<u>\$ 1,379,303</u>	<u>\$ 1,612,618</u>	<u>\$ 1,933,823</u>	<u>\$ 3,416,444</u>	<u>\$ 3,274,239</u>	<u>\$ 3,448,745</u>	<u>\$ 3,116,320</u>	<u>\$ 3,449,284</u>	<u>\$ 4,155,742</u>

*Includes prepaid items, inventory and encumbrances

TOWN OF ARGYLE, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES:										
General Property Taxes	1,242,845	1,375,189	1,511,906	1,602,701	1,634,314	1,760,989	1,656,152	1,709,472	1,831,513	2,078,389
Sales Tax	290,615	335,361	309,492	336,952	364,670	357,641	391,252	461,162	498,650	620,659
Franchise Tax	262,835	305,412	308,422	322,630	337,114	329,781	336,248	368,632	388,363	375,826
Building permits & fees	198,134	233,982	197,639	285,394	192,009	237,805	284,534	313,151	366,651	307,832
Park development fees	56,399	18,000	25	7,535	15,010	8,299	9,133	24,069	33,999	39,502
Municipal court fines	265,299	282,441	318,832	226,440	296,492	241,540	270,421	135,168	239,813	289,463
Roadway impact fees	50,612	31,479	21,053	17,988	43,057	91,606	107,550	158,526	96,989	100,503
Contributions	22,345	-	-	-	-	-	-	-	-	-
Intergovernmental	12,000	12,000	12,000	12,000	15,000	15,000	15,000	-	-	-
Interest	82,882	51,722	56,499	71,467	108,063	75,280	76,996	39,691	22,206	25,045
Intragovernmental	-	-	-	-	1,871	-	-	-	-	-
Miscellaneous	44,704	482,288	(40,897)	42,332	21,897	147,430	49,062	34,222	38,019	98,389
Total Revenues	2,528,670	3,127,874	2,694,971	2,925,439	3,029,497	3,265,371	3,196,348	3,244,093	3,516,203	3,935,607
EXPENDITURES:										
General Government	791,984	840,552	683,775	661,600	669,725	808,164	588,284	636,686	791,846	862,148
Public Safety	724,973	706,617	808,161	866,448	945,562	950,366	969,916	861,473	1,028,287	952,918
Municipal Court	67,513	69,780	76,950	100,071	135,543	148,033	169,281	125,790	95,758	90,757
Public Works	299,116	496,924	455,856	521,343	2,819,746	405,289	417,662	397,652	417,235	597,900
Development Services	151,021	227,864	200,587	177,489	186,443	238,625	242,235	290,471	341,880	278,259
Capital outlay:										
General Government	5,216	56,068	932,759	815,532	-	30,932	-	-	-	-
Public Safety	61,203	70,273	5,992	14,462	-	-	26,573	39,809	49,321	-
Public Works	86,284	637,602	49,028	-	-	389,457	182,646	812,642	26,327	-
Debt Service-										
Principal Retirement	171,641	165,000	175,000	190,000	205,000	200,000	220,000	220,000	257,000	281,000
Interest and Fiscal Charges	60,353	54,786	80,748	113,941	223,101	235,610	227,355	219,496	201,100	193,718
Paying Agent Fees	1,240	-	15,801	20,347	49,259	1,100	891	800	2,787	750
Total Expenditures	2,420,544	3,325,466	3,484,657	3,481,233	5,234,379	3,407,576	3,044,843	3,604,819	3,211,539	3,257,449
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	108,126	(197,592)	(789,686)	(555,794)	(2,204,882)	(142,205)	151,505	(360,726)	304,664	678,158
OTHER FINANCING SOURCES (USES):										
Transfers In (out)	13,000	13,000	13,000	77,000	-	-	23,000	28,300	28,300	28,300
Bond Proceeds	-	-	1,010,000	800,000	3,664,471	-	-	-	-	-
Grants; Sale of Assets; Other	-	3,205	-	-	23,030	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	531,000	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(510,000)	-	-
Premium on refunded bonds issued	-	-	-	-	-	-	-	(21,000)	-	-
Total Other Financing Sources (Uses)	13,000	16,205	1,023,000	877,000	3,687,501	-	23,000	28,300	28,300	28,300
NET CHANGE IN FUND BALANCES	121,126	(181,387)	233,314	321,206	1,482,619	(142,205)	174,505	(332,426)	332,964	706,458
Debt service as a percentage of noncapital expenditures	10.0%	8.2%	7.9%	9.3%	9.1%	14.5%	15.7%	15.8%	14.5%	14.6%

TOWN OF ARGYLE, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Nine Fiscal Years

C-1

Fiscal Year Ended Sept. 30,	Estimated Market Value		Less:	Total Taxable	Total Direct
	Real Property	Personal Property	Tax-Exempt Property	Assesed Value	Tax Rate
2008	551,001,326	14,110,326	\$ (175,427,586)	\$ 389,684,066	0.38500
2009	570,134,746	16,947,890	\$ (182,660,852)	\$ 404,421,784	0.38500
2010	575,633,918	12,656,471	\$ (186,951,493)	\$ 401,338,896	0.38500
2011	580,259,623	44,130,363	\$ (186,901,969)	\$ 437,488,017	0.39750
2012	571,025,126	23,637,149	\$ (179,097,662)	\$ 415,564,613	0.39750
2013	581,057,492	21,009,569	\$ (180,780,230)	\$ 421,286,831	0.39750
2014	615,425,225	24,525,946	\$ (185,859,233)	\$ 454,091,938	0.39750
2015	693,896,627	18,957,985	\$ (204,599,343)	\$ 508,255,269	0.39750
2016	752,600,191	16,731,535	\$ (234,750,736)	\$ 534,580,990	0.39750

Source: Town Finance Department

TOWN OF ARGYLE, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of assessed value)
 Last Twelve Fiscal Years

C-2

Fiscal Year	Town Direct Rates			Overlapping Rates			Total Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Argyle Independent School District	Denton County	Argyle Emergency Services District	
2005	0.32230	0.08080	0.40310	1.91950	0.24648	N/A	2.56908
2006	0.31500	0.07088	0.38588	1.76943	0.23192	N/A	2.38723
2007	0.31860	0.06640	0.38500	1.41005	0.23589	N/A	2.03094
2008	0.31860	0.06640	0.38500	1.41005	0.23577	N/A	2.03082
2009	0.33260	0.05240	0.38500	1.41005	0.24980	N/A	2.04485
2010	0.31945	0.06555	0.38500	1.44005	0.27390	0.10000	2.19895
2011	0.31945	0.07805	0.39750	1.46005	0.27740	0.10000	2.23495
2012	0.31945	0.07805	0.39750	1.48005	0.28287	0.10000	2.26042
2013	0.31945	0.07805	0.39750	1.48005	0.28287	0.10000	2.26042
2014	0.31945	0.07805	0.39750	1.47505	0.28901	0.10000	2.26156
2015	0.31945	0.07805	0.39750	1.57005	0.27220	0.10000	2.33975
2016	0.30445	0.09305	0.39750	1.57005	0.24841	0.10000	2.31596

Source: Denton County Appraisal District and Town records.

Note: Tax rates are per \$100 of assessed value.

TOWN OF ARGYLE, TEXAS
 RATIO OF GENERAL BONDED DEBT OUTSTANDING
 Last Nine Fiscal Years (dollars in thousands, except per capita)

D-1

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	Certificates of Obligations	Total		
2008	640,000	760,000	1,400,000	0.004	444
2009	505,000	1,730,000	2,235,000	0.006	698
2010	365,000	2,480,000	2,845,000	0.007	875
2011	225,000	6,065,000	6,290,000	0.014	1,917
2012	115,000	5,975,000	6,090,000	0.015	1,818
2013	-	5,870,000	5,870,000	0.014	1,716
2014	531,000	5,140,000	5,671,000	0.012	1,620
2015	474,000	4,940,000	5,414,000	0.011	1,428
2016	418,000	4,715,000	5,133,000	0.010	1,344

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements
 (1) See Exhibit C-1 for property value data.

TAXPAYER NAME	2016		2009	
	Rank	Taxable Value	Rank	Taxable Value
US Trinity Holdings, LLC	1	\$ 3,599,216		
Professional Depot LTD	2	\$ 3,043,259	1	\$2,961,440
Fern Hill Village Apartments	3	\$ 2,825,000	2	\$2,561,290
Oaks of Argyle, LLC	4	\$ 2,801,116		
Argyle 5T Ranch, LLC	5	\$ 2,553,613		
Sheldon, Keith	6	\$ 1,843,803		
Barker, Bradley T & Alicia H TR of Barker Living Trust	7	\$ 1,813,060		
Browder, John H & Yin C	8	\$ 1,765,695	10	\$1,515,823
Keller, Victor L Jr & Alesha Kim	9	\$ 1,673,194		
Watts, Gary B & Vicki L	10	\$ 1,440,136	9	\$1,608,286
Total		<u>\$23,358,092</u>		

Source: Taken from Official Statement for Denton County Appraisal District

TOWN OF ARGYLE, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
 Last Nine Fiscal Years

F-1

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	5.0	5.0	5.5	6.0	6.0	6.0	6.0	5.0	6.0
Development Services	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Safety	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.5
Public Works	4.25	4.25	4.75	5.25	5.25	5.25	5.5	5.5	4.5
Wastewater	1.75	1.75	1.75	1.75	1.75	1.75	1.5	1.5	2.5
Total	21.0	22.0	23.0	24.0	24.0	24.0	24.0	23.0	23.5

Source: Town Budget Office