

The Colony, Texas

Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2016



*See the
DIFFERENCE,*



*Experience the
DIFFERENCE,*

*Enjoy the
DIFFERENCE!*



CITY OF THE COLONY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

As Prepared By
The Finance Department
David Cranford, Director



**CITY OF THE COLONY, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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INTRODUCTORY SECTION





March 30, 2017

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

The Finance Department of the City of The Colony is pleased to submit the Comprehensive Annual Financial Report of the City of The Colony, Texas, for the fiscal year ended September 30, 2016.

This report is published to provide the City Council, Management Staff, our Citizens and other interested parties with detailed information concerning the financial condition and performance of the City Government. Responsibility for the accuracy and completeness of the presented data and the fairness of the presentation, including all disclosures, rests with the City of The Colony.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

THE REPORT

The Comprehensive Annual Financial Report is presented in three major sections: Introductory, Financial, and Statistical. The Introductory Section includes a list of principal City Officials, this transmittal letter, and an organizational chart of the City Government. The Financial Section includes the Management's Discussion and Analysis (MD&A) and basic financial statements. This section also includes the independent accountants' report on the basic financial statements. The MD&A provides narrative introduction, overview, and analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Statistical Section includes selected tables of comparative economic and financial data, generally presented on a multi-year basis, as well as demographic and other pertinent miscellaneous and operational statistics.

The Financial Statements included in this report were prepared in accordance with accounting principles generally accepted in the United States of America for local governments as prescribed by the Governmental Accounting Standards Board (GASB), The National Council on Governmental Accounting (NCGA), and the American Institute of Certified Public Accountants (AICPA). The financial statements have been audited by the independent accounting firm of Certified Public Accountants, Weaver, L.L.P., whose report is included herein.

PROFILE OF THE GOVERNMENT

The City was incorporated in 1977 and operates under a Home Rule Charter, adopted by voters in 1979, with a Council- Manager form of government. The City Council is comprised of a Mayor and six Council Members who enact local legislation, determine policies, and adopt the City's annual budget. The Mayor and Council Members are elected for three-year staggered terms. The City Manager is appointed by the City Council and responsible for the management and proper administration of the affairs of the City. All funds and accounts included in the financial section of this report are under the control of, and dependent on, the City and its elected officials.

A full range of municipal services provided by the City includes general administrative services, public safety (police, fire, and emergency medical services), municipal court, public works, library, parks and recreation, planning and zoning, public improvements, code enforcement, and water and wastewater utilities. Sanitation collection services are provided through private contractors with sanitation fees added to municipal utility bills. Elementary and secondary education services within the City are provided by the Lewisville Independent School District. The City Council has no oversight responsibility over the school district, and accordingly, no related financial data is included in the basic financial statements in this report.

The City is accountable for The Colony Economic Development Corporation, The Colony Community Development Corporation and The Colony Local Development Corporation and their financial data are included as component units in the City's Comprehensive Annual Financial Report. The functions of these two Corporations are covered under the Component Units section of this letter.

ECONOMIC CONDITION AND OUTLOOK

The Colony, located along State Highway 121 and minutes away from the Dallas North Tollway, President George Bush Turnpike, and Interstate 75, enjoys easy access to much of the DFW Metroplex. Downtown Dallas and DFW International Airport are just 30 and 20 miles south, respectively. At 15.8 square miles, The Colony is home to middle and upper class families, most who work in North Dallas and DFW International Airport area.

The Colony is a destination point:

- The City is located on 23 miles of beautiful Lake Lewisville's shoreline.
- Over 322,000 guests per year enjoy two of the City's parks located on Lake Lewisville.
- Blue Sky Sports Center attracts over 345,000 people annually to its soccer fields.
- Over 72,000 people visit the two famous golf courses in the City each year.
- Nebraska Furniture Mart attracts customers from hundreds of miles away.

The City experienced accelerated economic expansion during the early 2000's, but slowed in 2003 and 2004 due to the economy. Growth resumed slightly in 2007, before the economy slumped again in 2010. Since the latter part of 2012, building has dramatically improved in Tribute and Austin Ranch, the only residential developments remaining in The Colony. Residential building permits have been strong the past couple of years and commercial permitting, which has struggled the past numerous years, showed significant improvement this year as the Nebraska Furniture Mart-Texas opened in early March 2015. The Mart is the anchor of a 433 acre Plan Development, which is expected to be a destination place with exclusive stores, shops, and surroundings.

POPULATION

The City's population has grown steadily since the early 2000's and is currently estimated at 45,000. Most recent residential growth is due to continued development at The Tribute (formerly known as Wynnwood Peninsula) and Austin Ranch just south of SH121.

The City's 2015 Ad Valorem tax base increased from the prior year by a little over 17% or \$517 million to \$3.618 billion.

Sales tax revenues in the General Fund increased by almost \$442,000 or 8% from the previous year and reflect numerous businesses locating along SH121. Sales tax represents approximately 14% of the City's General Fund total income.

Water and sewer revenues have trended up over the past 10 years due primarily to growth. 2015-2016 revenues increased from the prior year by \$955,000 or seven percent due to a 3% rate increase and increased volumes.

Ad Valorem Tax Rate

Ad Valorem tax rate was reduced from \$.6725 to \$.6700 per \$100 valuation for fiscal year 2015-2016. Council's expectation is to continue to reduce the tax rate as additional revenues from growth and increased property valuations permit.

Fund Balance - General Fund

Reserves in the General Fund increased by about \$828,000 during the fiscal year to a little over 13.9 million or 135 operating days. Council's goal is 90 days.

Net Position- Utility Fund

Utility Fund reserves increased a little over \$780k during the fiscal year to almost \$4.5 million or 107 operating days. Council's goal is 60 days.

PROSPECTS FOR THE FUTURE

The Colony's prospects for the future are promising and very optimistic. Most recent economic drivers are:

Completion of Sam Rayburn Tollway (formerly known as State Highway 121), provides easy access to the north entrance of the DFW International Airport. The Tollway also provides easy access Dallas and George Bush Tollways and Interstate 75, making access to most of the Metroplex easy.

Reconstruction of Arterial Streets was done several years ago. Reconstruction of FM426 (Main St) is expected to be completed mid-2017.

The Tribute Subdivision, a 900-acre mixed-use development around two golf courses (i.e., The Tribute and Old American) on the eastern shore of Lake Lewisville. This development will accommodate 1,800 higher-end single family units, town homes and multi-family apartments, along with an integrated town center, hotel, retail, offices, and marina. Recently, an additional phase was opened up.

Austin Ranch, a 1,900-acre mixed-use development planned for multi-family residential, retail, corporate and commercial offices located south of the Sam Rayburn Tollway. Approximately 989 acres of Austin Ranch are inside The Colony city limits. Phase (7), started last year, will bring over 500 upscale apartments and commercial on the east side of Plano Parkway. This development was master-planned by Peter Calthorpe, an internationally recognized Land Planner, and has won several awards, including the National Association of Home Builders; "Pillars of the Industry" award for its Phase I development. Many nearby corporate headquarters and office parks employ Austin Ranch tenants.

The Offices at Austin Ranch are master planned for 700 acres of corporate and 200 acres of build-to-suit offices and office parks. Ultimately this area is planned to have 16 million square feet of office space and to accommodate an employee roster of 43,000.

Jackson-Shaw/Cascades Limited Partnership, a mixed-use development on 92 acres of land located at the northeast corner of State Highway 121 and Morningstar Drive in the City of The Colony. It includes town homes, patio homes, retail, and office space. Approximately 200,000 square feet of flex-industrial space is completed and being leased. Two hotels have been completed in the development with a total of 206 rooms and a 6,500 square foot events center.

Nebraska Furniture Mart Plan Development, a 400+ acre commercial development along SH121 providing easy access from most of the DFW Metroplex. Investment expected to exceed \$1.5 billion. The Nebraska Furniture Mart store, the cornerstone of the development, opened March 2015.

Debt Services

Debt of \$17.7 million was issued during the year for utility improvements and reconstruction of several residential streets. Standard & Poor's maintain their rating of a AA + and Moody's increased their rating at Aa2, which is comparable to S&P's. The bond rating agencies cited the City's strong financial performance and tax base growth as strong positive factors for the City.

COMPONENT UNITS

The City of The Colony has initiated both a Type A (formerly known as 4A) and a Type B (formerly known as 4B) sales tax program for the benefit of the community. Type A is called The Colony Economic Development Corporation and is geared around bringing in new businesses and commercial establishments. It may also motivate and assist already established businesses within the City through set criteria. Type B is called The Colony Community Development Corporation, which is geared to create new parks and recreation facilities. The primary goal of this program is to improve our current parks and park equipment. Both corporations are managed by their own boards, which report to City Council, who approves their budgets.

This is the 4th year of activity for the Local Development Corporation component unit established to govern the City's interest in the TIRZ ONE.

This is the second year of an operating PID assessment, established by the City to maintain the Grandscape grounds. Council approves the annual PID operating assessment for TIRZ ONE property owners during the meeting in which the tax rate is approved.

FINANCIAL MANAGEMENT

The Colony continues to evaluate operating activity to help ensure services are provided as efficiently as possible. Service levels are reviewed in conjunction with revenues, expenses, and reserves to help ensure the best possible use is made of available resources.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of The Colony, Texas, for its comprehensive annual financial report for the fiscal year ended September 30, 2015. (This was the 25th consecutive year that The Colony has achieved this prestigious award.) In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

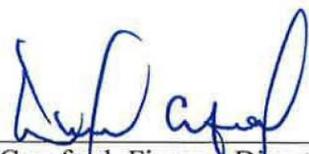
In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the year beginning October 1, 2015. The City has received the award annually since the budget year beginning on October 1, 1993. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operation guide, and a communications device.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would also like to thank the Mayor and City Council for their interest and leadership in planning and conducting the financial operations of the City of The Colony in a responsible and progressive manner.

Respectfully submitted,



Troy Powell, City Manager

David Cranford, Finance Director



Government Finance Officers Association

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

Presented to

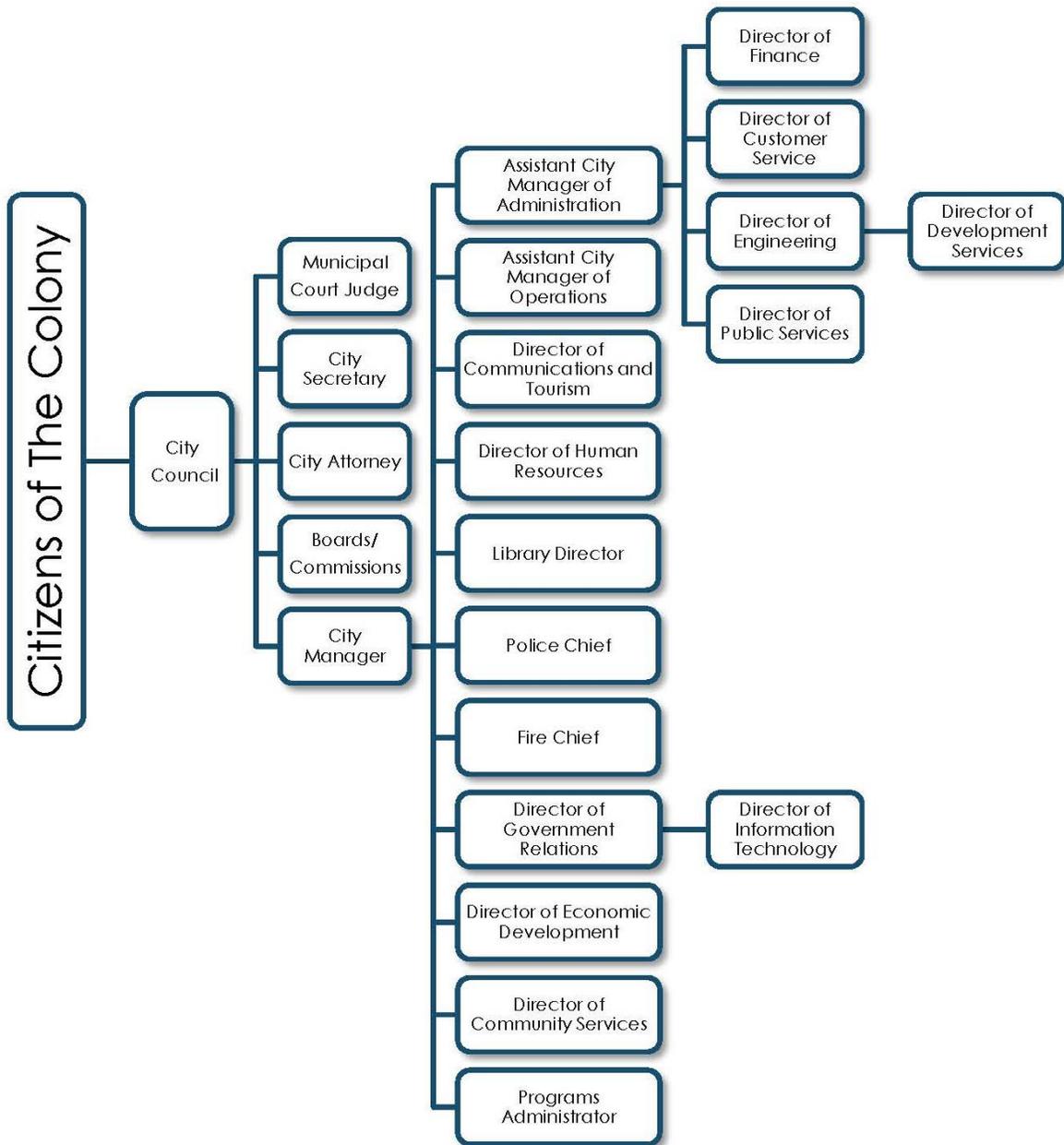
**City of The Colony
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

CITY OF THE COLONY, TEXAS
ORGANIZATIONAL CHART
SEPTEMBER 30, 2016



CITY OF THE COLONY, TEXAS

CITY STAFF

September 30, 2016

City Manager's Office	Troy Powell, City Manager
City Manager's Office	Tim Miller, Assistant City Manager of Administration
City Manager's Office	Tod Maurina, Assistant City Manager of Operations
City Manager's Office	Brant Shallenburger, Director of Government Relations
Communications/Tourism	Diane Baxter, Director of Communications and Tourism
City Secretary's Office	Tina Stewart, City Secretary
Human Resources	Rodney Wallican, Director
Finance	David Cranford, Director
Development Services	Surupa Sen, Director
Engineering	Gordon Scruggs, Director
Fire	Scott Thompson, Chief
Police	David Coulon, Chief
Municipal Court	Patti Ristagno, Court Administrator
Parks and Recreation/ Community Development	Pam Nelson, Director of Community Services
Economic Development	Keri Samford, Director
Library	Joan Sveinsson, Director
Utility Administration/ Customer Services	Molly Owczar, Director

FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
City Council, and City Manager
City of The Colony, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, TMRS pension schedules on pages 62-64, and the budgetary comparison information on pages 65 and 66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

City of The Colony, Texas

Page 3

In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 30, 2017



**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

The City of The Colony (the City) is providing this narrative overview and analysis of its financial activities for the fiscal year ended September 30, 2016. This Management's Discussion and Analysis (MD&A) provides additional information that was not contained in the Letter of Transmittal. Readers are advised to read both to gain understanding of the financial picture of the City. This discussion and analysis includes prior year data for comparison purposes.

Financial Highlights

- The City's total assets and deferred outflows of resources exceeded the City's total liabilities and deferred inflows of resources at the close of the fiscal year by \$283,886,423. Of this amount \$35,627,466 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$32,088,480 due to an increase in net position of \$32,801,083 in governmental activities and a decrease of \$712,603 in business-type activities.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$28,594,460, an increase of \$5,682,969. The general fund reported an increase in fund balance of \$828,097. The capital projects fund had an increase in fund balance of \$2,382,292 primarily due to the issuance of certificates of obligation. Out of the \$28,594,460 fund balances in the governmental funds, \$13,275,540 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,275,540 or 46.19% of total general fund expenditures.
- The City's non-current liabilities increased by \$10,252,608 (9.77%) during the current fiscal year. The City issued \$11,385,000 of certificates of obligation and \$13,325,000 of refunding bonds during 2016.

Overview of the Financial Statements

The MD&A serves as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

The report also contains other supplementary information in addition to the basic financial statements.

**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as incurred regardless of when cash is received or paid. Thus, revenues and expenses are reported on accrual basis even though cash flows occur in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, sanitation, and culture and recreation. The business-type activities of the City include water and sewerage operation.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, legally separate community development corporation, legally separate local development corporation, and legally separate tax increment reinvestment zone, for which the City of The Colony is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- Governmental Activities – Most of the City's basic services are reported as governmental activities, including the general government, public safety, municipal court, public works, culture and recreation, planning and zoning, public improvements, and code enforcement. Taxes and intergovernmental revenues principally support these services.
- Business-type Activities – Functions that are intended to recover all or a significant portion of their costs through user fees and charges are considered as business-type activities. The business-type activity of the City includes Water and Sewer Utility.
- Component Units – The City includes four separate legal entities, The Colony Economic Development Corporation, The Colony Community Development Corporation, The Colony Local Development Corporation, and Tax Increment Reinvestment Zone Number One in its report. Although they are legally separate, they are included as component units because the City is accountable for them. Financial information for these component units is reported separately from the financial information presented for the primary government.

**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the City can be divided into two categories:

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

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

The City maintains 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Non-major governmental funds are aggregated in total.

The City adopts annual appropriated budgets for its General Fund, Debt Service Fund, Lake Parks Fund, Special Events Fund, Hotel/Motel Taxes Fund, Child Safety Fund, and Storm Water Utility Fund. The budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

2. **Proprietary funds** – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer utility fund is considered to be a major fund of the City.

**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Notes to the financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. This Management's Discussion and Analysis is part of the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of the close of the 2015-2016 fiscal year, the City's net position totaled \$283,886,423.

The largest portion of the City's net position (85%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot generate revenues to liquidate these liabilities.

An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used (primarily for debt service and infrastructure improvements). The remaining balance of net position (\$35,627,466) may be used to meet the government's ongoing obligations to citizens and creditors.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 33,957,548	\$ 29,624,420	\$23,961,331	\$25,163,914	\$ 57,918,879	\$ 54,788,334
Capital assets	253,402,846	229,075,821	87,231,691	78,185,791	340,634,537	307,261,612
Total assets	<u>287,360,394</u>	<u>258,700,241</u>	<u>111,193,022</u>	<u>103,349,705</u>	<u>398,553,416</u>	<u>362,049,946</u>
Deferred outflows of resources	7,009,257	2,569,683	2,165,340	1,440,861	9,174,597	4,010,544
Long-term liabilities outstanding	49,814,569	47,721,623	65,360,844	57,201,182	115,175,413	104,922,805
Other liabilities	5,094,492	6,710,100	2,906,652	1,757,787	8,001,144	8,467,887
Total liabilities	<u>54,909,061</u>	<u>54,431,723</u>	<u>68,267,496</u>	<u>58,958,969</u>	<u>123,176,557</u>	<u>113,390,692</u>
Deferred inflows of resources	576,249	754,943	88,784	116,912	665,033	871,855
Net position:						
Net investment in capital assets	216,941,085	192,477,376	25,654,373	40,490,252	242,595,458	232,967,628
Restricted	4,250,062	3,004,916	1,413,437	1,333,988	5,663,499	4,338,904
Unrestricted	17,693,194	10,600,966	17,934,272	3,890,445	35,627,466	14,491,411
Total net position	<u>\$238,884,341</u>	<u>\$206,083,258</u>	<u>\$45,002,082</u>	<u>\$45,714,685</u>	<u>\$ 283,886,423</u>	<u>\$ 251,797,943</u>

**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

At the end of the current fiscal year, the City has positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

The City's net position increased by \$32,088,480. Total assets increased by \$36,503,470. Capital assets increased by \$33,372,925, while current and other assets increased by \$3,130,545.

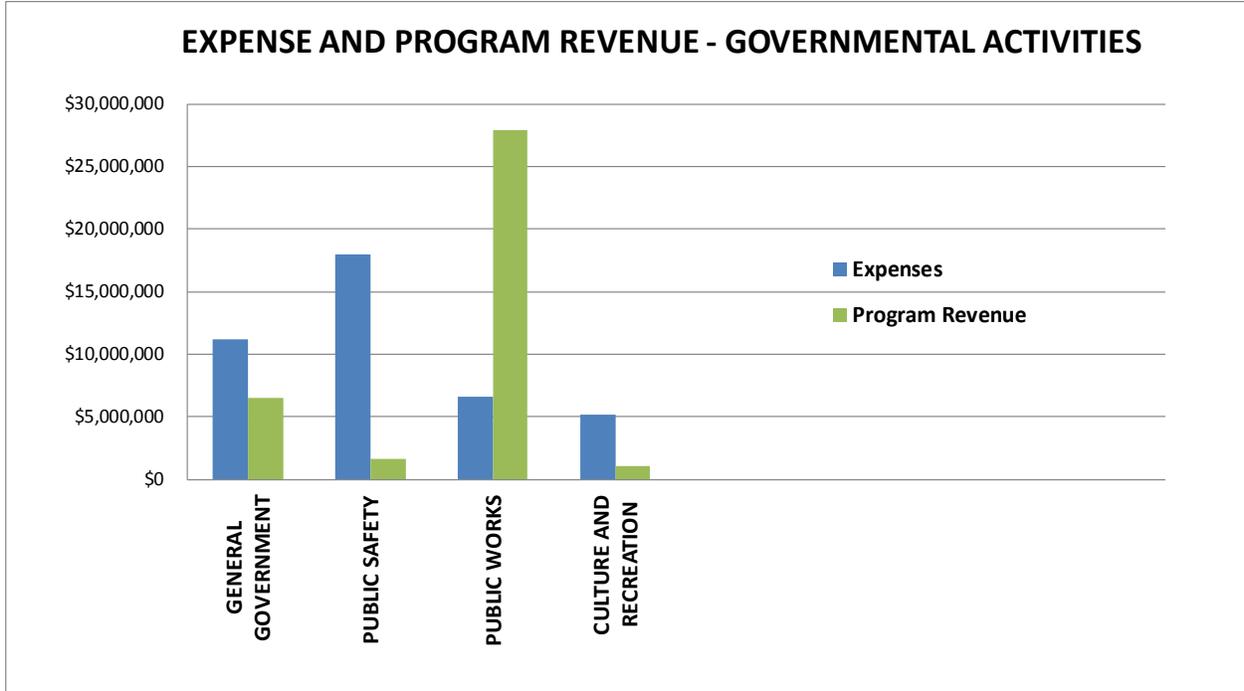
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 8,133,442	\$ 6,365,977	\$ 15,959,047	\$ 15,210,296	\$ 24,092,489	\$ 21,576,273
Operating grants and contributions	3,268,620	5,712,865	307,161	306,999	3,575,781	6,019,864
Capital grants and contributions	25,670,242	11,365,061	6,426,313	5,055,328	32,096,555	16,420,389
General revenues:						
Property taxes	21,499,444	17,407,857	-	-	21,499,444	17,407,857
Sales taxes	5,736,997	5,294,228	-	-	5,736,997	5,294,228
Franchise taxes	2,527,792	2,672,475	-	-	2,527,792	2,672,475
Other taxes	668,011	525,449	-	-	668,011	525,449
Interest	102,126	19,660	88,041	14,125	190,167	33,785
Miscellaneous	792,311	763,871	-	-	792,311	763,871
Total revenues	<u>68,398,985</u>	<u>50,127,443</u>	<u>22,780,562</u>	<u>20,586,748</u>	<u>91,179,547</u>	<u>70,714,191</u>
Expenses:						
General government	11,225,704	8,498,744	-	-	11,225,704	8,498,744
Public safety	17,950,628	13,702,805	-	-	17,950,628	13,702,805
Public works	6,601,440	6,634,461	-	-	6,601,440	6,634,461
Culture and recreation	5,171,748	4,945,616	-	-	5,171,748	4,945,616
Interest on long-term debt	1,390,574	1,552,854	-	-	1,390,574	1,552,854
Water and sewer	-	-	16,750,973	15,332,384	16,750,973	15,332,384
Total expenses	<u>42,340,094</u>	<u>35,334,480</u>	<u>16,750,973</u>	<u>15,332,384</u>	<u>59,091,067</u>	<u>50,666,864</u>
Increase in net position before transfers	26,058,891	14,792,963	6,029,589	5,254,364	32,088,480	20,047,327
Transfers	6,742,192	2,004,806	(6,742,192)	(2,004,806)	-	-
Increase in net position	<u>32,801,083</u>	<u>16,797,769</u>	<u>(712,603)</u>	<u>3,249,558</u>	<u>32,088,480</u>	<u>20,047,327</u>
Net position, as previously reported	206,083,258	192,808,462	45,714,685	43,010,701	251,797,943	235,819,163
Change in accounting principle	-	(3,522,973)	-	(545,574)	-	(4,068,547)
Beginning net position (October 1)	206,083,258	189,285,489	45,714,685	42,465,127	251,797,943	231,750,616
Ending net position (September 30)	<u>\$ 238,884,341</u>	<u>\$ 206,083,258</u>	<u>\$ 45,002,082</u>	<u>\$ 45,714,685</u>	<u>\$ 283,886,423</u>	<u>\$ 251,797,943</u>

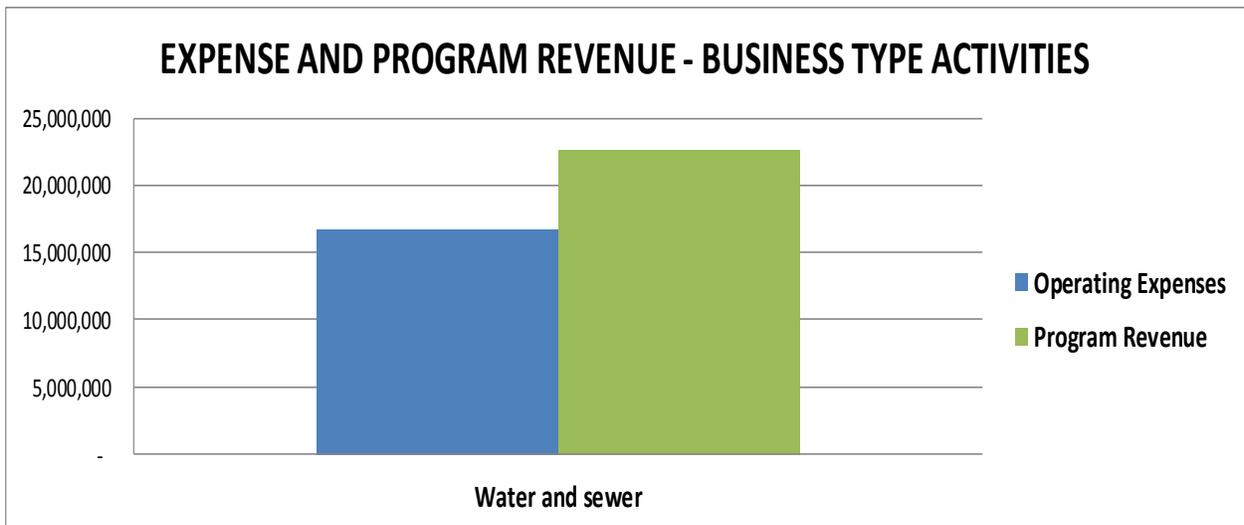
Governmental Activities - Governmental activities increased the City's net position by \$32,801,083 compared to an increase of \$16,797,769 in the prior year. Key elements of this increase are as follows:

- Property taxes increased by \$4,091,587 due to an increase in taxable assessed valuation.
- Sales taxes increased by \$442,769.
- Capital grants and contributions increased \$14,305,181, due primarily to \$22,799,330 in developer contributions of capital assets.

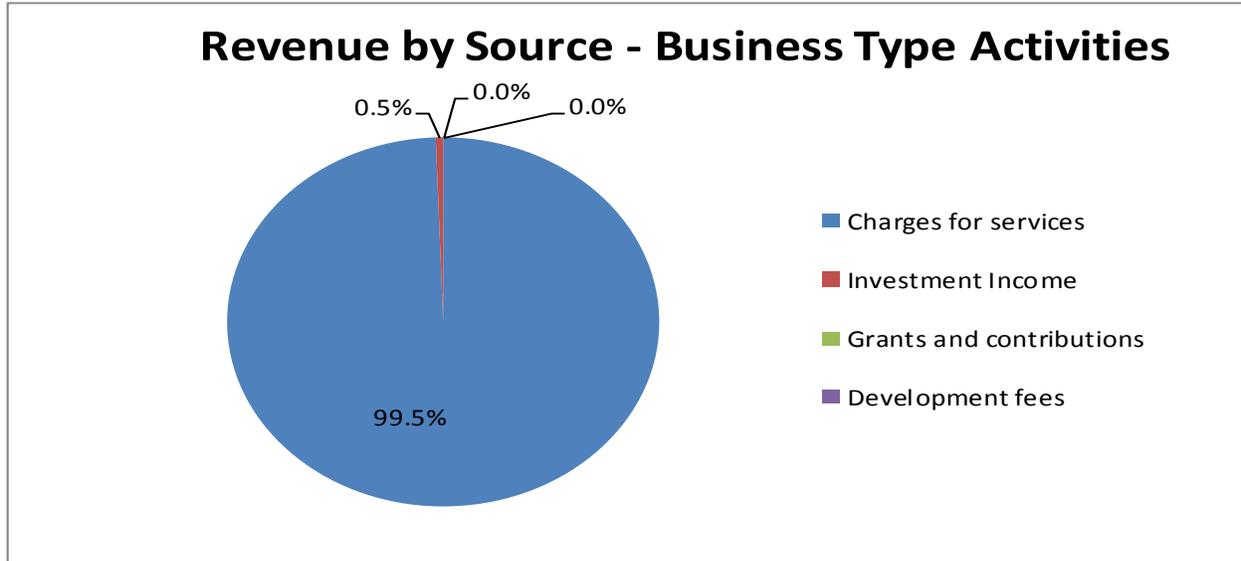
**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**



Business-type Activities - Business-type activities decreased the City's net position by \$712,603. The overall decrease in net position is due to several factors, the most significant of which was \$1,318,612 in increased bond principal and interest payments during fiscal year 2016.



**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$28,594,460 an increase of \$5,682,969 in comparison with the prior year. Approximately 46.43% of this total amount (\$13,275,540) constitutes the unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it has already been committed, restricted, or is nonspendable for:

1. Capital projects (\$10,920,315) including infrastructure projects to be funded with intergovernmental revenues,
2. Pay debt service (\$1,922,262),
3. Parks or special events (\$925,507),
4. Various purposes (\$1,261,149),
5. Inventory and prepaid items (\$289,687).

**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,275,540. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 46.19% of total general fund expenditures (excluding transfers to other funds).

The fund balance of the City's General Fund increased by \$828,097 during the current fiscal year due primarily to increases in ad valorem taxes (\$3,519,867) and sales tax (\$442,769) netted against decreases in building permits of \$1,313,600 and increased incentive payments of \$1,963,462.

The Debt Service Fund has a total fund balance of \$1,922,262, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$531,784. The City has a dedicated property tax for general debt service. The property tax produced debt service fund revenues of \$5,059,643 in the current fiscal year.

The Capital Projects Fund has a total fund balance of \$10,554,472, all of which is restricted or committed for future expenditures of currently approved capital items. The net increase in fund balance during the current year was \$2,382,292 attributable primarily to the proceeds of certificates of obligation issued to fund various infrastructure improvements throughout the City.

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

General Fund Budgetary Highlights

During the year, there was an approximate \$325,000 increase in appropriations between the original and final budget. Overall, revenues had a \$2,241,771 positive variance between final budget and actual while expenditures had a \$1,134,695 positive variance. The most significant revenue variance involved licenses and permits revenues which were \$1,039,142 more than budgeted. The most significant expenditures variance was associated with the allocation of overhead between the General Fund and other funds.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$340,634,537 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, water and sewer system infrastructure improvements, machinery and equipment, park facilities, and roads. The City's investment in capital assets for the current fiscal year increased by nine percent (an eleven percent increase for governmental activities and a three percent increase for business-type activities).

**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Major capital asset events during the current fiscal year included the following:

- **FM 423 (Main St) Widening** – This project is expected to be completed in the third quarter of 2017. The project will provide eight lanes from HWY 121 to Cougar Alley and six lanes to the North City limit. Most of \$93.2 million expected cost will be provided by TxDot and Denton County.
- **HWY 121 Overpass into Grandscape** – This project was completed in 2016. The overpass provides access from South Colony onto Grandscape on Nebraska Furniture Mart Drive. The \$9.5 million cost was funded primarily by TIRZ ONE with the City providing approximately \$2 million.

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Capital Assets Being Depreciated:						
Water systems	\$ -	\$ -	\$ 43,722,403	\$ 41,494,878	\$ 43,722,403	\$ 41,494,878
Sanitary sewer systems	-	-	28,552,184	27,697,253	28,552,184	27,697,253
Drainage system	-	-	128,022	161,366	128,022	161,366
Buildings	17,587,699	18,447,546	195,324	210,438	17,783,023	18,657,984
Improvements other than buildings	10,367,204	10,964,082	-	-	10,367,204	10,964,082
Aquatic Park	869,650	858,584	-	-	869,650	858,584
Machinery and equipment	3,623,862	3,155,075	1,179,571	529,508	4,803,433	3,684,583
Infrastructure	148,197,844	105,163,759	885,419	1,065,932	149,083,263	106,229,691
	<u>\$180,646,259</u>	<u>\$138,589,046</u>	<u>\$ 74,662,923</u>	<u>\$ 71,159,375</u>	<u>\$ 255,309,182</u>	<u>\$ 209,748,421</u>
Capital Assets Not Being Depreciated:						
Land and land improvements	\$ 4,510,684	\$ 4,510,684	\$ 3,273,472	\$ 3,273,472	\$ 7,784,156	\$ 7,784,156
Right-of-ways	25,571,036	25,398,226	-	-	25,571,036	25,398,226
Construction in progress	42,674,867	60,577,865	9,295,296	3,752,944	51,970,163	64,330,809
	<u>\$ 72,756,587</u>	<u>\$ 90,486,775</u>	<u>\$ 12,568,768</u>	<u>\$ 7,026,416</u>	<u>\$ 85,325,355</u>	<u>\$ 97,513,191</u>

Additional information on the City's capital assets can be found in Note 4 on pages 44-46 to the basic financial statements.

Outstanding Debt

	Government Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$19,344,210	\$18,087,560	\$ 26,868,145	\$ 25,275,445	\$46,212,355	\$ 43,363,005
Certificates of Obligation	14,765,000	19,947,850	32,465,250	26,902,400	47,230,250	46,850,250
Capital Leases	767,611	849,154	-	-	767,611	849,154.00
	<u>\$34,876,821</u>	<u>\$38,884,564</u>	<u>\$ 59,333,395</u>	<u>\$ 52,177,845</u>	<u>\$94,210,216</u>	<u>\$ 91,062,409</u>

**CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$94,210,216. The entire amount represents debt backed by the full faith and credit of the City.

The City's total debt increased by \$3,147,807 during the current fiscal year. One factor in this increase was the issuance of \$11,385,000 of debt used to construct street improvements and for improving and extending the City's waterworks and sewer systems.

Additional information on the City's long-term debt can be found in Note 5 on pages 47-53 to the basic financial statements.

The City's general and revenue obligations maintain an AA- and AA- rating, respectively, from Standard & Poor's and an Aa3 and A1 rating respectively from Moody's Investors Service. The high rating speaks well of the City's proactive approach to economic development and financial management.

The revenue supported debt in the Water and Sewer Fund is limited to the net revenues equal to at least 1.10 times the maximum annual principal and interest requirements and 1.25 times the average annual principal and interest requirements of all parity bonds to be outstanding. The net revenues in the Water and Sewer Fund are higher than the required limitations and are monitored each year for appropriate coverage.

Economic Factors and Next Year's Budgets and Rates

- Ad valorem tax base increased by a little over \$518 million during the 15-16 fiscal year.
- Total sales tax is projected to increase by a little over \$500,000 due to growth in and around Grandscape.
- Licenses and Permits in the General Fund are expected to remain strong due to continued residential construction in the Tribute and commercial construction in and near Grandscape.

Requests for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, The City of The Colony, 6800 Main Street, The Colony, Texas 75056.

BASIC FINANCIAL STATEMENTS



**GOVERNMENT – WIDE
FINANCIAL STATEMENTS**



**CITY OF THE COLONY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and cash equivalents	\$ 26,347,361	\$ 21,723,158	\$ 48,070,519	\$ 7,308,276
Receivables (net of allowance for uncollectibles)	7,320,500	2,029,701	9,350,201	2,065,750
Due from other governments	-	-	-	647,461
Inventories	84,765	155,451	240,216	-
Prepaid expenses	204,922	53,021	257,943	3,859,344
Restricted:				
Cash and cash equivalents	-	-	-	22,183,138
Capital assets:				
Non-depreciable	72,756,587	12,568,768	85,325,355	84,797,030
Depreciable (net of depreciation)	180,646,259	74,662,923	255,309,182	44,020
TOTAL ASSETS	287,360,394	111,193,022	398,553,416	120,905,019
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	521,104	1,145,449	1,666,553	75,016
Deferred outflows - pensions	6,488,153	1,019,891	7,508,044	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,009,257	2,165,340	9,174,597	75,016
LIABILITIES				
Accounts payable and accrued liabilities	4,477,886	620,921	5,098,807	1,320,646
Accrued interest payable	166,587	-	166,587	1,502,974
Retainage payable	450,019	-	450,019	-
Due to other governments	-	-	-	647,461
Payable from restricted assets:				
Accounts payable and accrued liabilities	-	993,284	993,284	-
Accrued interest payable	-	287,775	287,775	-
Customer meter deposits	-	1,004,672	1,004,672	-
Non-current liabilities:				
Due within one year	6,675,082	4,610,193	11,285,275	657,401
Due in more than one year	43,139,487	60,750,651	103,890,138	199,171,640
TOTAL LIABILITIES	54,909,061	68,267,496	123,176,557	203,300,122
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	576,249	88,784	665,033	-
TOTAL DEFERRED INFLOWS OF RESOURCES	576,249	88,784	665,033	-
NET POSITION				
Net investment in capital assets	216,941,085	25,654,373	242,595,458	(87,219,695)
Restricted for:				
Debt service	1,826,579	-	1,826,579	-
Construction	367,397	1,413,437	1,780,834	-
Government funded construction contracts	791,860	-	791,860	-
Other	1,264,226	-	1,264,226	-
Unrestricted	17,693,194	17,934,272	35,627,466	4,899,608
TOTAL NET POSITION	\$ 238,884,341	\$ 45,002,082	\$ 283,886,423	\$ (82,320,087)

The Notes to Financial Statements are an integral part of this statement.

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

Functions/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 11,225,704	\$ 3,608,782	\$ 2,857,150	\$ -
Public safety	17,950,628	1,546,836	47,230	-
Public works	6,601,440	2,213,005	52,430	25,658,242
Culture and recreation	5,171,748	764,819	311,810	12,000
Interest on long-term debt	1,390,574	-	-	-
Total governmental activities	42,340,094	8,133,442	3,268,620	25,670,242
Business-type Activities:				
Water and sewer	16,750,973	15,959,047	307,161	6,426,313
Total business-type activities	16,750,973	15,959,047	307,161	6,426,313
TOTAL PRIMARY GOVERNMENT	\$ 59,091,067	\$ 24,092,489	\$ 3,575,781	\$ 32,096,555
COMPONENT UNITS:				
The Colony Economic Development Corporation	\$ 3,941,054	\$ -	\$ -	\$ -
The Colony Community Development Corporation	4,939,189	-	-	-
The Colony Local Development Corporation	8,220,940	-	2,093,406	-
TIRZ No. 1	7,551	-	-	-
TOTAL COMPONENT UNITS	\$ 17,108,734	\$ -	\$ 2,093,406	\$ -

General Revenues and Transfers:

Taxes:

- Property taxes, levied for general purposes
- Sales taxes
- Franchise taxes
- Hotel/motel taxes
- Penalties and interest
- Interest on investments
- Miscellaneous

Transfers

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION, beginning of year

NET POSITION, end of year

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business - Type Activities	TOTAL	COMPONENT UNITS
\$ (4,759,772)	\$ -	\$ (4,759,772)	\$ -
(16,356,562)	-	(16,356,562)	-
21,322,237	-	21,322,237	-
(4,083,119)	-	(4,083,119)	-
(1,390,574)	-	(1,390,574)	-
<u>(5,267,790)</u>	<u>-</u>	<u>(5,267,790)</u>	<u>-</u>
<u>-</u>	<u>5,941,548</u>	<u>5,941,548</u>	<u>-</u>
<u>-</u>	<u>5,941,548</u>	<u>5,941,548</u>	<u>-</u>
<u>\$ (5,267,790)</u>	<u>\$ 5,941,548</u>	<u>\$ 673,758</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (3,941,054)
-	-	-	(4,939,189)
-	-	-	(6,127,534)
-	-	-	(7,551)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,015,328)</u>
\$ 21,204,646	\$ -	\$ 21,204,646	\$ -
5,736,997	-	5,736,997	14,762,226
2,527,792	-	2,527,792	-
668,011	-	668,011	-
294,798	-	294,798	-
102,126	88,041	190,167	58,722
792,311	-	792,311	33,291
6,742,192	(6,742,192)	-	-
<u>38,068,873</u>	<u>(6,654,151)</u>	<u>31,414,722</u>	<u>14,854,239</u>
32,801,083	(712,603)	32,088,480	(161,089)
<u>206,083,258</u>	<u>45,714,685</u>	<u>251,797,943</u>	<u>(82,158,998)</u>
<u>\$ 238,884,341</u>	<u>\$ 45,002,082</u>	<u>\$ 283,886,423</u>	<u>\$ (82,320,087)</u>



GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

EXHIBIT 3

**CITY OF THE COLONY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 13,512,111	\$ 1,923,725	\$ 8,796,784	\$ 2,114,741	\$ 26,347,361
Receivables, net of allowances for uncollectibles:					
Ad valorem taxes	320,511	69,441	-	-	389,952
Service accounts receivable	125,392	-	-	-	125,392
Franchise taxes	380,574	-	-	-	380,574
Sales taxes	2,036,603	-	-	-	2,036,603
Other	923,415	-	3,294,681	169,883	4,387,979
Prepaid	199,357	-	1,554	4,011	204,922
Inventory	84,765	-	-	-	84,765
TOTAL ASSETS	\$ 17,582,728	\$ 1,993,166	\$ 12,093,019	\$ 2,288,635	\$ 33,957,548
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,291,390	\$ -	\$ 1,088,528	\$ 97,968	\$ 4,477,886
Retainage payable	-	-	450,019	-	450,019
TOTAL LIABILITIES	3,291,390	-	1,538,547	97,968	4,927,905
DEFERRED INFLOWS OF RESOURCES					
Unavailable resources - property taxes	311,865	70,904	-	-	382,769
Unavailable resources - other	52,414	-	-	-	52,414
TOTAL DEFERRED INFLOWS OF RESOURCES	364,279	70,904	-	-	435,183
FUND BALANCES					
Nonspendable	284,122	-	1,554	4,011	289,687
Restricted:					
Capital projects	367,397	-	790,306	-	1,157,703
Debt service	-	1,922,262	-	-	1,922,262
Other	-	-	-	1,261,149	1,261,149
Committed	-	-	9,762,612	925,507	10,688,119
Unassigned	13,275,540	-	-	-	13,275,540
TOTAL FUND BALANCES	13,927,059	1,922,262	10,554,472	2,190,667	28,594,460
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 17,582,728	\$ 1,993,166	\$ 12,093,019	\$ 2,288,635	\$ 33,957,548

The Notes to Financial Statements are an integral part of this statement.

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

Total fund balances - governmental funds	\$ 28,594,460
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	253,402,846
Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(166,587)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	435,183
Deferred outflows of resources of \$6,488,153 related to the City's net pension liability increase the net position in the government-wide financial statements, while deferred outflows (\$576,249) reduce it. This amount is the net effect.	5,911,904
Deferred charge on refunding of long-term debt are reported as deferred outflows of resources in the government-wide financial statements, but are not reported in the governmental funds.	521,104
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year end consist of:	
Bonds payable	(34,109,210)
Net pension liability	(10,101,906)
Capital leases payable	(767,611)
Premium on issuance of debt	(2,106,044)
Compensated absences	<u>(2,729,798)</u>
Net position of governmental activities	<u>\$ 238,884,341</u>

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

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Ad valorem taxes, penalties and interest	\$ 16,102,953	\$ 5,059,643	\$ -	\$ 94,787	\$ 21,257,383
Franchise taxes	2,527,792	-	-	-	2,527,792
Municipal sales tax	5,736,997	-	-	-	5,736,997
Licenses and permits	2,266,442	-	-	846,571	3,113,013
Charges for services	1,315,955	-	-	2,834,293	4,150,248
Fines and forfeitures	824,955	-	-	45,226	870,181
Grants	142,042	127,400	-	47,230	316,672
Gifts and contributions	310,560	1,034,231	1,843,514	64,018	3,252,323
Hotel / Motel taxes	-	-	-	668,011	668,011
Intergovernmental	-	-	2,518,123	-	2,518,123
Investment income	75,366	16,468	4,284	6,008	102,126
Miscellaneous	726,735	-	-	65,576	792,311
Total revenues	30,029,797	6,237,742	4,365,921	4,671,720	45,305,180
EXPENDITURES					
Current					
General government	7,721,092	-	18,800	-	7,739,892
Public safety	15,090,641	-	-	72,223	15,162,864
Public works	1,994,716	-	405,886	1,079,621	3,480,223
Cultural and recreation	3,583,645	-	-	889,874	4,473,519
Capital outlay	351,236	-	9,216,505	234,206	9,801,947
Debt service:					
Principal retirement	-	3,985,693	-	-	3,985,693
Interest and fiscal charges	-	1,485,036	-	-	1,485,036
Other debt service costs	-	272,250	-	-	272,250
Total expenditures	28,741,330	5,742,979	9,641,191	2,275,924	46,401,424
Excess (deficiency) of revenues over (under) expenditures	1,288,467	494,763	(5,275,270)	2,395,796	(1,096,244)
OTHER FINANCING SOURCES (USES)					
Payments to bond escrow agent	-	(9,623,402)	-	-	(9,623,402)
Premium on issuance of bonds	-	637,273	-	-	637,273
Issuance of refunding bonds	-	9,023,150	-	-	9,023,150
Transfers from other funds	916,500	-	13,057,562	514,093	14,488,155
Transfers to other funds	(1,376,870)	-	(5,400,000)	(969,093)	(7,745,963)
Total other financing sources (uses)	(460,370)	37,021	7,657,562	(455,000)	6,779,213
NET CHANGE IN FUND BALANCES	828,097	531,784	2,382,292	1,940,796	5,682,969
FUND BALANCES, BEGINNING OF YEAR	13,098,962	1,390,478	8,172,180	249,871	22,911,491
FUND BALANCES, END OF YEAR	\$ 13,927,059	\$ 1,922,262	\$ 10,554,472	\$ 2,190,667	\$ 28,594,460

The Notes to the Financial Statements are
an integral part of this statement.

**CITY OF THE COLONY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - total governmental funds	\$ 5,682,969
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets additions recorded in the current period as capital outlay.	9,561,146
Loss on disposal of capital assets results in a decrease in net position in the government-wide financial statements, but the net effect is not reported in the governmental funds.	(35,440)
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	22,799,330
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(7,185,570)
Current year changes in long term liability for compensated absences do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.	(271,116)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.	(28,708)
Current year transfers of capital assets to enterprise funds are not reported in governmental funds. However, the effect on the government-wide financials is to decrease in net position.	(812,441)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the 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.	
Bond and capital lease principal retirement	3,985,693
Amortization of bond related costs (premium, deferred charge)	123,170
Refunding bonds issued	(9,023,150)
Deferred loss on refunding	371,569
Bonds refunded	9,045,200
Premium on bonds issued	(637,273)
Implementation of GASB 68 requires certain expenditures to be de-expended and recorded as deferred inflows and outflows of resources. This amount is the net effect of current year pension expense, (\$2,799,268), and contributions made after the measurement date, \$1,730,497.	(1,068,771)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This amount is the net change in these revenues for the year.	<u>294,475</u>
Change in Net Position of Governmental activities	<u>\$ 32,801,083</u>



PROPRIETARY FUNDS FINANCIAL STATEMENTS

**CITY OF THE COLONY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 21,723,158
Receivables, net of allowance for uncollectibles:	
Accounts	2,019,047
Other	10,654
Due from other funds	
Inventories	155,451
Prepaid expenses	53,021
Total current assets	23,961,331
NONCURRENT ASSETS	
CAPITAL ASSETS	
Land	3,273,473
Water system	106,183,802
Sanitary sewer system	1,684,364
Buildings	724,161
Machinery and equipment	3,332,032
Engineering fees	2,473,213
Organizational costs	5,718,467
Construction in progress	9,295,295
Total capital assets	132,684,807
Less: accumulated depreciation	(45,453,116)
Capital assets, net of accumulated depreciation	87,231,691
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	1,019,891
Deferred charge on refunding	1,145,449
Total deferred outflows of resources	2,165,340
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 113,358,362

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 7

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 620,921
Accrued compensated absences	317,993
Payable from restricted assets:	
Accounts payable and accrued expenses	993,284
Revenue bonds payable	4,292,200
Accrued interest payable	287,775
Customer meter deposits	1,004,672
Total current liabilities	7,516,845
NON-CURRENT LIABILITIES	
Revenue bonds payable	59,172,070
Net pension liability	1,578,581
Total non-current liabilities	60,750,651
TOTAL LIABILITIES	68,267,496
DEFERRED INFLOWS OF RESOURCES	
Unavailable resources - pensions	88,784
Total deferred inflows of resources	88,784
NET POSITION	
Net Investment in capital assets	25,654,373
Restricted for:	
Construction	1,413,437
Unrestricted	17,934,272
TOTAL NET POSITION	45,002,082
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 113,358,362

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

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
OPERATING REVENUES	
Charges for sales and services:	
Water service	\$ 9,408,917
Wastewater treatment service	5,346,507
Other fees and penalties	1,106,437
Service charges	32,171
Miscellaneous	65,015
Total operating revenues	15,959,047
OPERATING EXPENSES	
Personnel services	3,744,752
Contractual services	796,419
Supplies	548,288
Maintenance	1,547,150
Water purchases	2,406,505
Overhead	2,593,752
Depreciation and amortization	2,868,292
Total operating expenses	14,505,158
OPERATING INCOME	1,453,889
NON-OPERATING REVENUES (EXPENSES)	
Investment income	88,041
Grants and contributions	307,161
Interest and fiscal charges	(2,245,815)
Total non-operating revenues (expenses)	(1,850,613)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(396,724)
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Capital contributions	5,880,333
Development fees	545,980
Transfers from other funds	5,750,000
Transfers to other funds	(12,492,192)
Total capital contributions and transfers	(315,879)
CHANGE IN NET POSITION	(712,603)
NET POSITION, BEGINNING OF YEAR	45,714,685
NET POSITION, END OF YEAR	\$ 45,002,082

The Notes to the Financial Statements are an integral part of this statement.

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

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
	FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 16,154,313
Cash paid to employees for services	(3,979,739)
Cash paid for goods and services	(6,931,537)
	5,243,037
Net cash provided by operating activities	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from other funds	5,750,000
Transfers to other funds	(12,492,192)
	(6,742,192)
Net cash used in non-capital financing activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on revenue bond maturities	(8,025,605)
Cost of bond issuance	(220,030)
Proceeds from issuance of bonds	15,686,850
Premium on issuance of bonds	676,602
Grants and contributions	307,161
Interest and fiscal charges	(2,490,307)
Acquisition of capital assets	(6,197,495)
Development fees	545,980
	283,156
Net cash provided by capital and related financial activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	88,041
	88,041
Net cash provided by investing activities	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,127,958)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,851,116
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 21,723,158

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF THE COLONY, TEXAS
STATEMENT OF CASH FLOWS – CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,453,889
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,868,292
Pension expense	466,749
Provision for bad debts	(14,692)
Change in assets and liabilities:	
Decrease in accounts receivable	173,568
Increase in inventories	(37,490)
Increase in prepaid expense	(46,761)
Increase in accounts payable and accrued liabilities	1,073,764
Increase in compensated absences	8,937
Change in deferred outflows	(739,609)
Increase in customer deposits	36,390
Total adjustments	3,789,148
Net cash provided by operating activities	\$ 5,243,037
NON-CASH FINANCING ACTIVITIES:	
Contributions of capital assets	\$ 5,880,333

**COMPONENT UNITS
FINANCIAL STATEMENTS**



**CITY OF THE COLONY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2016**

	THE COLONY ECONOMIC DEVELOPMENT CORPORATION	THE COLONY COMMUNITY DEVELOPMENT CORPORATION	THE COLONY LOCAL DEVELOPMENT CORPORATION	TIRZ No. 1	TOTALS
ASSETS					
Cash and cash equivalents	\$ 5,391,516	\$ 1,916,760	\$ -	\$ -	\$ 7,308,276
Sales tax receivable	1,032,875	1,032,875	-	-	2,065,750
Due from other governments	323,731	323,730	-	-	647,461
Prepays	2,235	671	3,856,438	-	3,859,344
Restricted assets					
Cash and cash equivalents	5,695,283	5,698,465	10,789,390	-	22,183,138
Capital assets					
Land	1,438,304	1,438,304	24,201,980	-	27,078,588
Vehicles	44,020	-	-	-	44,020
Construction in process	16,847,277	16,847,276	24,023,889	-	57,718,442
TOTAL ASSETS	30,775,241	27,258,081	62,871,697	-	120,905,019
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	75,016	-	-	-	75,016
TOTAL DEFERRED OUTFLOWS OF RESOURCES	75,016	-	-	-	75,016
LIABILITIES AND NET POSITION					
Accounts payable	670,991	649,655	-	-	1,320,646
Due to primary government	-	-	-	-	-
Accrued interest payable	280,404	269,830	952,740	-	1,502,974
Due to other governments	-	-	647,461	-	647,461
Non-current liabilities:					
Due within one year	462,401	195,000	-	-	657,401
Due in more than one year	29,396,174	27,574,751	142,200,715	-	199,171,640
TOTAL LIABILITIES	30,809,970	28,689,236	143,800,916	-	203,300,122
NET POSITION (DEFICIT)					
Net investment in capital assets	(2,710,216)	(701,793)	(83,807,686)	-	(87,219,695)
Unrestricted	2,750,503	(729,362)	2,878,467	-	4,899,608
TOTAL NET POSITION (DEFICIT)	\$ 40,287	\$ (1,431,155)	\$ (80,929,219)	\$ -	\$ (82,320,087)

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF THE COLONY, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS:			
The Colony Economic Development Corporation	\$ 3,941,054	\$ -	\$ -
The Colony Community Development Corporation	4,939,189	-	-
The Colony Local Development Corporation	8,220,940	-	2,093,406
TIRZ No. 1	7,551	-	-
TOTAL COMPONENT UNITS	\$ 17,108,734	\$ -	\$ 2,093,406

General revenues:

Taxes:

Sales taxes

Interest on investments

Miscellaneous

Total general revenue

CHANGE IN NET POSITION (DEFICIT)

NET POSITION (DEFICIT), Beginning of Year

NET POSITION (DEFICIT), End of Year

EXHIBIT 11

Net (Expense) Revenue and Changes in Net Position				
COMPONENT UNITS				
The Colony Econ. Dev. Corporation	The Colony Comm. Dev. Corporation	The Colony Local Dev. Corporation	TIRZ No. 1	TOTAL
\$ (3,941,054)	\$ -	\$ -	\$ -	\$ (3,941,054)
-	(4,939,189)	-	-	(4,939,189)
-	-	(6,127,534)	-	(6,127,534)
-	-	-	(7,551)	(7,551)
<u>\$ (3,941,054)</u>	<u>\$ (4,939,189)</u>	<u>\$ (6,127,534)</u>	<u>\$ (7,551)</u>	<u>\$ (15,015,328)</u>
\$ 5,052,970	\$ 5,052,970	\$ 4,656,286	\$ -	\$ 14,762,226
24,216	20,644	13,862	-	58,722
25,000	740	-	7,551	33,291
<u>5,102,186</u>	<u>5,074,354</u>	<u>4,670,148</u>	<u>7,551</u>	<u>14,854,239</u>
1,161,132	135,165	(1,457,386)	-	(161,089)
<u>(1,120,845)</u>	<u>(1,566,320)</u>	<u>(79,471,833)</u>	<u>-</u>	<u>(82,158,998)</u>
<u>\$ 40,287</u>	<u>\$ (1,431,155)</u>	<u>\$ (80,929,219)</u>	<u>\$ -</u>	<u>\$ (82,320,087)</u>



NOTES TO BASIC FINANCIAL STATEMENTS



**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of The Colony (the City), originally incorporated in 1977, is a municipal corporation incorporated under Article XI of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures and expenses. Actual results could vary from the estimates that are used. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City is governed by an elected mayor and a six-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The financial information of the following component units have been “discretely presented” in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City:

The Colony Economic Development Corporation (TCEDC) - Organized exclusively for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of public welfare.

The Colony Community Development Corporation (TCCDC) - Responsible for promoting economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing and financing projects under the Development Corporation Act of 1979. This includes the construction, renovation and operation of municipal buildings, the acquisition and improvement of parks as well as the promotion and expansion of manufacturing and industrial facilities, and other economic development purposes.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

The Colony Local Development Corporation (TCLDC) – Established as the primary governing body for funding Tax Increment Reinvestment Zone (TIRZ) Number One public infrastructure. Surrounding these activities are performance agreements between the TCLDC and the developer, NMF Services, which commenced November 2011 and will terminate on the 75th anniversary of the date in which the City collects its first sales tax dollar from the respective facility.

Tax Increment Reinvestment Zone Number One (TIRZ One) – The City created Tax Increment Reinvestment Zone Number One (TIRZ One) to provide additional financing resources to further enhance development within the zone. The City Council appoints a Board and Board members are removable by the City Council. TIRZ One commenced November 2011 and will terminate the earlier of the 40th anniversary of the date the City collects its first sales tax dollar within the zone, or the date on which all TIF project costs have been paid or funded and all TIF obligations have been paid in full.

A majority of the members of the TCEDC's, TCCDC's, TCLDC and TIRZ One's Boards of Directors are appointed by the City Council. The TCEDC, TCCDC, TCLDC and TIRZ One are each fiscally dependent upon the City as the City Council approves their budgets and must approve any debt issuance. However, the component units do not qualify for blending because the component units' services directly benefit the community rather than the City itself. The TCEDC, TCCDC, TCLDC and TIRZ One are presented as governmental fund types and do not issue separate financial statements.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, 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 service.

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

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column in the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund –

The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund –

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted to signify the amounts that are exclusively for debt service expenditures.

Capital Projects Fund –

The Capital Projects Fund is used to account for the acquisition and construction of capital assets financed primarily through the issuance of general obligation debt.

The City also reports the following non-major governmental funds:

All of the following funds are Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trust or capital projects) that are legally restricted or committed to expenditures for specific purposes.

Lake Parks Fund – To account for revenue generated by fees and permits to enter and utilize the park area and facilities located on the eastern shore of Lake Lewisville.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements – Continued

Special Events Fund – To account for various special events of the City including Christmas decorations, 4th of July fireworks display and other special events held by the City.

Hotel/Motel Taxes Fund – To account for the receipt and allocation of the City's hotel/motel occupancy tax.

Library Grants Fund – To account for proceeds received from various state grants received for the Library.

Police Forfeited Fund – To account for the funds granted to the police department that have been awarded by the court.

Federal Seized Fund – To account for funds granted to the police department in a revenue sharing agreement with the federal government.

Police Seized Fund – To account for funds seized by the police department that are awaiting disposition by the court.

Child Safety Fund – The account for child safety fees collected according to state statute to fund the school crossing guard program and for other programs designed to enhance child safety, health or nutrition.

Storm Water Utility Fund – To account for the revenue and expenses associated with drainage projects within the City.

Court Security Fund – To account for the revenue and expenditures associated with the portion of traffic tickets that have been restricted for the security of the Municipal Court.

Court Technology Fund – To account for the revenue and expenditures associated with the portion of traffic tickets restricted for upgrading the technology in the Municipal Court.

Keep The Colony Beautiful – To account for revenue and expenditures associated with the City-supported community volunteer program designed to help property owners who can't maintain their properties due to financial or physical limitations.

Citizens Donation Fund – To account for money received from the \$1 Add-On Program and the Recycling Rebate Program. This money is restricted for social and community services, public safety citizen programs and beautification projects.

Public Improvement District (PID) No. 1 – To account for revenues and expenditures related to the City of The Colony Public Improvement District No.1.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements – Continued

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow.

All assets and liabilities are included in the Statement of Net Position. The City has presented the following major proprietary fund:

Water and Sewer Enterprise Fund

Water and Sewer Enterprise Fund is used to account for the acquisition, operation and maintenance of a municipal water and sewer utility, supported primarily by user charges to the public.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for non-matured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Property taxes, sales taxes, franchise taxes and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Cash and Cash Equivalents

State statutes and policy as established by the City Council authorize the City to invest in certificates of deposit, direct obligations of the U.S. Treasury, investment pools consisting of such U.S. Treasury obligations, repurchase agreements, commercial paper and mutual funds. Substantially all operating cash and cash equivalents are maintained in pooled cash and time deposit accounts. Interest income relating to pooled deposits is allocated to the individual funds based on each fund's pro rata share of total pooled deposits.

Restricted cash and investments is classified separately in the balance sheet of governmental funds and statement of net position for proprietary funds and represents cash and cash equivalents restricted for specific infrastructure projects (governmental funds) or the payment of long-term debt and for the acquisition of capital assets (proprietary funds).

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents, as they are available for withdrawal on demand.

Investments are accounted for in accordance with GASB No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments are recorded at amortized cost when original maturity at the time of purchase is less than one year or at market if greater than one year.

Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and certain personal property located within the City. Property taxes attach as an enforceable lien on property as of January 1 after they are levied. The assessed value upon which the fiscal year 2016 levy was based was \$3,100,498,444. Taxes are due on October 1 and are delinquent after the following January 31. Current tax collections for the year ended September 30, 2016 were 99.50% of the tax levy.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes – Continued

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2016 was \$0.6675 per \$100 of assessed valuation.

The ordinance levying the ad valorem taxes specifies the percentage of the taxes applicable to the General Fund, and Debt Service Fund therefore, ad valorem tax revenues are recorded as revenues in the respective funds.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

Budgets

The City adopts annual appropriated budgets for its General Fund, Debt Service Fund, Lake Parks Fund, Special Events Fund, Hotel/Motel Taxes Fund, Child Safety Fund, and Storm Water Utility Fund. The budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

For the year ended September 30, 2016, expenditures exceeded appropriations in the following departments:

- Public Safety (\$160,472)
- Public Works (\$ 44,259)

Internal Balances

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Transactions Between Funds and Component Units

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services and reimbursements, are recorded as transfers.

Transactions between the component units and the primary government are accounted for as external transactions. During the year ended September 30, 2016, the TCEDC contributed \$446,102 to the Debt Service Fund, \$307,161 to the Water and Sewer Fund and \$22,715 to the General Fund. Additionally, the TCCDC contributed \$714,706 to the Debt Service Fund, \$1,552,500 to the Capital Projects Fund, and \$287,845 to the General Fund. The revenues were reflected as operating grants and contributions for the primary government in the statement of activities. In addition, the Debt Service Fund contributed \$272,250 to the TCEDC for payment of debt service expenditures.

Inventories

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset lives are not capitalized. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 Years
Towers, tanks, and pump stations	40 Years
Infrastructure	40 Years
Machinery and equipment	5 - 10 Years
Vehicles	5 Years

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Vacation and Sick Leave (Compensated Absences)

In the event of termination, an employee is reimbursed for up to his/her accrued available vacation days. An employee may accumulate up to 130 days of sick leave; however, upon termination, qualified employees may be reimbursed for up to a maximum of 30 sick days. All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by City management based on City Council direction.

Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes. The City designates restricted amounts to be spent first if both restricted and unassigned fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purpose for which amounts in any of those unrestricted fund balance classifications could be used. The propriety funds and government-wide financial statements have three classifications of equity: (1) net investment in capital assets; (2) restricted net position and (3) unrestricted net position. In the first category, capital assets are netted with bonded and capital lease debt. Restricted net position includes debt service, grantor and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

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

Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2016 through March 30, 2017, the date the financial statements were available to be issued.

NOTE 2. CASH AND INVESTMENTS

The funds of the City must be deposited and invested per the Public Funds Investment Act. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City 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 depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2016 the carrying amount of the City's deposits was \$8,364,919 and the bank balance was \$8,748,562. All of the bank balances were fully covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City had petty cash totaling \$4,734 at September 30, 2016.

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Legal and Contractual Provisions Governing Deposits and Investments – Continued

Statutes and the City’s investment policy authorized the City to invest in the following investments as summarized in the table below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Government Securities	5 Years	100%	None
State of Texas States, Agencies, Counties, Cities and Other	5 Years	25%	None
Repurchase Agreements	90 Days	100%	None
Certificates of Deposits	5 Years	25%	None
Commercial Paper	270 Days	25%	None
No-Load Money Market Mutual Funds	90 Days	25%	None
Eligible Investment Pools	90 Days	100%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of September 30, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents – primary government	\$ 48,070,519
Restricted cash and cash equivalents – primary government	-
Cash and cash equivalents – component units	7,308,276
Restricted cash and cash equivalents – component units	<u>22,183,138</u>
	<u>\$ 77,561,933</u>

Cash and investments as of September 30, 2016 consist of the following:

Cash on hand	\$ 4,734
Deposits with financial institutions	8,364,919
Investment pools	<u>69,192,280</u>
	<u>\$ 77,561,933</u>

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2016 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures Relating to Credit Risk – Continued

Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 22,853,817	N/A	AAAm
TexPool Prime	24,155,327	N/A	AAAm
Money Market Mutual Funds	22,183,136	N/A	AAAm
	<u>\$ 69,192,280</u>		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2016 other than external investment pools the City did not have 5% or more of its investment with one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2016 the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized during the year.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

As of September 30, 2016, the City's entire cash deposits with financial institutions in excess of federal depository insurance were fully collateralized.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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

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

The City has recurring fair value measurements as presented in the table below. The City's investment balances and weighted average maturity of such investments are as follows:

	<u>Fair Value Measurements Using</u>					<u>Percent of Total Investments</u>	<u>Weighted Average Maturity (Days)</u>
	<u>Value at September 30, 2016</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>			
<i>Investments not Subject to Fair Value:</i>							
<i>Investment Pools:</i>							
TexPool	\$ 22,853,817	\$ -	\$ -	\$ -	33.03%	44	
TexPool Prime	24,155,327				34.91%	48	
<i>Investments by Fair Value Level:</i>							
Money Market Mutual Funds	22,183,136	22,183,136	-	-	32.06%	14	
<i>Total Value</i>	<u>\$ 69,192,280</u>	<u>\$ 22,183,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>100.00%</u>		

Money Market Mutual funds reported as Level 1 consist of shares of a money market funds government portfolio and are valued at net asset value (NAV) of the assets held by the City. The NAV is a quoted price in an active market.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Investment in State Investment Pools

The City is a voluntary participant in two investment pools: TexPool and TexPool Prime. Each of these pools operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. Each uses amortized costs rather than market value to report the net position to compute share prices. Accordingly, the value of the City’s position in the pools is the same as the value of the shares in the pool.

The State Comptroller of Public Accounts exercises responsibility over TexPool and TexPool Prime. This 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 both participants in TexPool and other persons who do not have a business relationship with TexPool.

NOTE 3. RECEIVABLES

Receivables at September 30, 2016 for the individual major funds, nonmajor funds, and component units in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	Governmental Activities				Total Governmental Activities	Business-type	Discretely Presented Component Units
	General	Debt Service	Capital Projects	Non-Major Governmental Funds		Water and Sewer Enterprise	
Receivables							
Property taxes	\$ 364,617	\$78,515	\$ -	\$ -	\$ 443,132	\$ 14,205	\$ -
Franchise taxes	380,574	-	-	-	380,574	-	-
Sales taxes	2,036,603	-	-	-	2,036,603	-	2,065,750
Service accounts	188,344	-	-	-	188,344	2,235,749	-
Other	923,415	-	3,294,681	169,883	4,387,979	-	-
Gross receivables	3,893,553	78,515	3,294,681	169,883	7,436,632	2,249,954	2,065,750
Allowance for uncollectibles	(107,058)	(9,074)	-	-	(116,132)	(220,253)	-
Net total receivables	<u>\$3,786,495</u>	<u>\$69,441</u>	<u>\$3,294,681</u>	<u>\$ 169,883</u>	<u>\$ 7,320,500</u>	<u>\$ 2,029,701</u>	<u>\$2,065,750</u>

The Water and Sewer Fund service accounts receivable include unbilled charges for services rendered through September 30, 2016 in the amount of \$999,204.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance September 30, 2015	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2016
Governmental Activities:					
Capital assets not being depreciated					
Land and Land Improvements	\$ 4,510,684	\$ -	\$ -	\$ -	\$ 4,510,684
Rights-of-way	25,398,226	-	-	172,810	25,571,036
Construction in progress	60,577,865	8,527,869	-	(26,430,867)	42,674,867
Total capital assets not being depreciated	90,486,775	8,527,869	-	(26,258,057)	72,756,587
Capital assets being depreciated					
Buildings	25,363,628	-	-	-	25,363,628
Improvements other than buildings	17,168,924	-	-	-	17,168,924
Swimming pool	1,679,480	-	-	73,225	1,752,705
Machinery and equipment	10,917,214	942,804	(353,533)	229,414	11,735,899
Infrastructure	191,818,175	22,889,803	-	25,142,977	239,850,955
Total capital assets being depreciated	246,947,421	23,832,607	(353,533)	25,445,616	295,872,111
Less: accumulated depreciation for:					
Buildings	(6,916,082)	(859,847)	-	-	(7,775,929)
Improvements other than buildings	(6,204,842)	(596,878)	-	-	(6,801,720)
Swimming pool	(820,896)	(62,159)	-	-	(883,055)
Machinery and equipment	(7,762,139)	(667,991)	318,093	-	(8,112,037)
Infrastructure	(86,654,416)	(4,998,695)	-	-	(91,653,111)
Total accumulated depreciation	(108,358,375)	(7,185,570)	318,093	-	(115,225,852)
Total capital assets being depreciated, net	138,589,046	16,647,037	(35,440)	25,445,616	180,646,259
Governmental activities capital assets, net	<u>\$ 229,075,821</u>	<u>\$ 25,174,906</u>	<u>\$ (35,440)</u>	<u>\$ (812,441)</u>	<u>\$ 253,402,846</u>

Governmental activities "sales and other dispositions" include the transfer of \$812,441 of capital assets to the business-type activities which are included in the business-type activities "capital acquisitions".

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2015	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2016
Business-Type Activities:					
Capital assets not being depreciated					
Land	\$ 3,273,472	\$ -	\$ -	\$ -	\$ 3,273,472
Construction in progress	3,752,944	6,033,858	-	(491,506)	9,295,296
Total capital assets not being depreciated	<u>7,026,416</u>	<u>6,033,858</u>	<u>-</u>	<u>(491,506)</u>	<u>12,568,768</u>
Capital assets being depreciated:					
Building	724,161	-	-	-	724,161
Water System	57,982,332	3,164,380	-	491,506	61,638,218
Sanitary System	42,642,073	1,903,512	-	-	44,545,585
Drainage System	1,684,364	-	-	-	1,684,364
Machinery and Equipment	2,655,368	-	(135,778)	812,441	3,332,031
Infrastructure	8,191,680	-	-	-	8,191,680
Total capital assets being depreciated	<u>113,879,978</u>	<u>5,067,892</u>	<u>(135,778)</u>	<u>1,303,947</u>	<u>120,116,039</u>
Less: Accumulated depreciation for:					
Building	(513,723)	(15,114)	-	-	(528,837)
Water System	(16,487,454)	(1,428,361)	-	-	(17,915,815)
Sanitary System	(14,944,820)	(1,048,581)	-	-	(15,993,401)
Drainage System	(1,522,998)	(33,344)	-	-	(1,556,342)
Machinery and Equipment	(2,125,860)	(162,378)	135,778	-	(2,152,460)
Infrastructure	(7,125,748)	(180,513)	-	-	(7,306,261)
Total accumulated depreciation	<u>(42,720,603)</u>	<u>(2,868,291)</u>	<u>135,778</u>	<u>-</u>	<u>(45,453,116)</u>
Total capital assets being depreciated, net	<u>71,159,375</u>	<u>2,199,601</u>	<u>-</u>	<u>1,303,947</u>	<u>74,662,923</u>
Business-Type activities capital assets, net	<u>\$ 78,185,791</u>	<u>\$ 8,233,459</u>	<u>\$ -</u>	<u>\$ 812,441</u>	<u>\$ 87,231,691</u>

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2015	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2016
Component Units:					
Capital assets not being depreciated					
Land	\$ 27,078,588	\$ -	\$ -	\$ -	\$ 27,078,588
Construction in progress	<u>58,544,087</u>	17,500	<u>(843,145)</u>	-	<u>57,718,442</u>
Total capital assets not being depreciated	<u>85,622,675</u>	<u>17,500</u>	<u>(843,145)</u>	-	<u>84,797,030</u>
Capital assets being depreciated					
Vehicles	-	44,020	-	-	44,020
Total capital assets being depreciated	<u>-</u>	<u>44,020</u>	<u>-</u>	<u>-</u>	<u>44,020</u>
Component Units capital assets, net	<u>\$ 85,622,675</u>	<u>\$ 61,520</u>	<u>\$ (843,145)</u>	<u>\$ -</u>	<u>\$ 84,841,050</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General government	\$ 1,656,957
Public safety	803,340
Public works	4,197,812
Culture and recreation	<u>527,461</u>
Total depreciation expense-Governmental activities	<u>\$ 7,185,570</u>
Business-type activities:	
Water and Sewer	<u>\$ 2,868,291</u>

There was no depreciation expense charged to the component units during the current year.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. LONG-TERM DEBT

At September 30, 2016, bonds payable consisted of the following individual issues:

	Governmental Activities	Business-type Activities	Component Units
Certificates of Obligation:			
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2007, 3.5% to 5.00% maturing in installments of \$510,000 to \$1,055,000 through 2027.	\$ 316,050	\$ 328,950	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2008, 3.5% to 5.00% maturing in installments of \$510,000 to \$1,055,000 through 2027.	130,000	-	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2010, 2.50% to 4.00%, maturing in annual installments of \$550,000 to \$960,000 through 2030.	7,814,400	2,745,600	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2010-A, 2.00% to 4.00%, maturing in annual installments of \$125,000 to \$175,000 through 2030.	1,685,150	345,100	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013, 2.00% to 4.375%, maturing in annual installments of \$155,000 to \$675,000 through 2033.	1,850,000	-	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2014, 3.00% to 6.00%, maturing in annual installments of \$510,000 to \$1,550,000 through 2035.	2,969,400	18,240,600	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015, 3.00% to 4.00%, maturing in annual installments of \$470,000 to \$690,000 through 2035.	-	10,805,000	-
	<u>\$ 14,765,000</u>	<u>\$ 32,465,250</u>	<u>\$ -</u>
General Obligation Bonds:			
General Obligation Refunding Bonds, Series 2010, 2.00% to 4.00%, maturing in annual installments of \$170,000 to \$510,000 through 2022.	\$ 2,775,000	\$ -	\$ -
General Obligation Refunding Bonds, Series 2011, 2.00% to 4.00%, maturing in annual installments of \$20,000 to \$890,000 through 2022.	3,678,400	1,161,600	-
General Obligation Refunding Bonds, Series 2012, 2.00% to 3.00%, maturing in annual installments of \$225,000 to \$1,295,000 through 2023.	2,216,260	738,750	-
General Obligation Refunding Bonds, Series 2013, 3.00% to 5.00%, maturing in annual installments of \$1,205,000 to \$1,775,000 through 2024.	2,413,000	9,652,000	-
General Obligation Refunding Bonds, Series 2014, 2.00% to 5.00%, maturing in annual installments of \$55,000 to \$1,535,000 through 2026.	-	11,372,345	1,867,655
General Obligation Refunding Bonds, Series 2015, 3.00% to 4.00%, maturing in annual installments of \$840,000 to \$1,715,000 through 2027.	8,261,550	3,943,450	-
	<u>\$ 19,344,210</u>	<u>\$ 26,868,145</u>	<u>\$ 1,867,655</u>
Revenue Bonds:			
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 4.50% to 7.25%, maturing in annual installments of \$ 195,000 to \$2,770,000 through 2042.	\$ -	\$ -	\$ 29,580,000
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 4.50% to 7.25%, maturing in annual installments of \$ 195,000 to \$2,770,000 through 2042.	-	-	29,580,000
Sales Tax Increment Contract Revenue Bonds, Series 2013 (Infrastructure Bonds), 5.00% to 7.625%, maturing in annual installments from October 1, 2018 through October 1, 2042.	-	-	15,875,000
Sales Tax Increment Contract Revenue Bonds, Series 2013 (Infrastructure Bonds), 2.594% to 4.881%, maturing in annual installments from October 1, 2020 through October 1, 2047.	-	-	106,850,000
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 5.00% to 7.625%, maturing in annual installments from October 1, 2018 through October 1, 2042.	-	-	19,515,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,400,000</u>

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt transactions, including current portion, of the City for the year ended September 30, 2016:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental Activities					
Certificates of obligation	\$ 19,947,850	\$ -	\$ (5,182,850)	\$ 14,765,000	\$ 1,096,850
General obligation bonds	18,087,560	9,023,150	(7,766,500)	19,344,210	2,763,950
Capital Lease	849,154	-	(81,543)	767,611	84,484
Unamortized bond premium	1,847,216	637,273	(378,445)	2,106,044	-
Net pension liability	4,531,161	5,570,745		10,101,906	-
Compensated absences	2,458,682	2,678,950	(2,407,834)	2,729,798	2,729,798
Governmental activities Long-term debt	<u>\$ 47,721,623</u>	<u>\$ 17,910,118</u>	<u>\$ (15,817,172)</u>	<u>\$ 49,814,569</u>	<u>\$ 6,675,082</u>
Business-Type Activities					
Certificates of obligation	\$ 26,902,400	\$ 11,385,000	\$ (5,822,150)	\$ 32,465,250	\$ 1,578,150
General obligation bonds	25,275,445	4,301,850	(2,709,150)	26,868,145	2,714,050
Unamortized bond premium	4,012,577	676,602	(558,304)	4,130,875	-
Net pension liability	701,704	876,877		1,578,581	-
Compensated absences	309,056	380,496	(371,559)	317,993	317,993
Business-type activities Long-term debt	<u>\$ 57,201,182</u>	<u>\$ 17,620,825</u>	<u>\$ (9,461,163)</u>	<u>\$ 65,360,844</u>	<u>\$ 4,610,193</u>
Component Units					
General obligation bonds	2,047,005	-	(179,350)	1,867,655	187,000
Revenue bonds	201,400,000	-	-	201,400,000	390,000
Unamortized bond premium	149,049		(8,281)	140,768	-
Unamortized bond discount	(3,795,996)		136,214	(3,659,782)	-
Compensated absences	67,487	61,025	(48,111)	80,401	80,401
Component units Long-term debt	<u>\$ 199,867,545</u>	<u>\$ 61,025</u>	<u>\$ (99,528)</u>	<u>\$ 199,829,042</u>	<u>\$ 657,401</u>

The City intends to retire all of its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues from the Debt Service Fund as has been done in prior years. The proprietary fund type long-term debt, plus accrued interest, will be repaid from operating revenues of the Water and Sewer Enterprise Fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

During 2015, the City issued \$13,325,000 General Obligation Refunding Bonds, Series 2015, of which \$4,301,850 is included as part of business-type activities, to refund a portion of the City's outstanding bonds. The Series 2016 refunding resulted in a decrease in the City's debt service payments of \$1,467,156, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$1,449,886. As a result of the transaction, \$8,480,000 of Combination Tax and Limited Surplus Certificates of Obligation, Series 2007 and \$4,890,000 of General Obligation Refunding Bonds, Series 2005 were refunded and are considered legally defeased, and are no longer included in the City's basic financial statements.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. LONG-TERM DEBT – CONTINUED

During 2015, the City issued \$11,385,000 Combination Tax and Surplus Revenue Certificates of Obligation, Series 2015 Proceeds from the sale of the certificates will be used for construction of street improvements alleys, culverts and bridges, including drainage, landscaping, screening walls, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-way; improving and extending the City's waterworks and sewer system; acquiring equipment and vehicles for the utilities department; and improving and equipping the City's information technology system.

Nebraska Furniture Mart

During March 2012, the TCEDC, TCCDC and TCLDC individually entered into a pledge agreement where the consideration of future sales tax revenue from the tax increment reinvestment zone would be used to repay debt issued by the component units to provide funding for the Nebraska Furniture Mart Texas project. This pledge was effectively an incentive agreement to secure the development of Nebraska Furniture Mart, through NFM Services, within the City of The Colony.

TCEDC and TCCDC have each pledged a portion of their future sales tax revenues to repay \$29,580,000 of sales tax revenue bonds that each corporation issued in February 2013 to finance the acquisition of land and cost of construction and infrastructure associated with the Nebraska Furniture Mart Texas project. Total principal and interest remaining on each issuance is approximately \$71 million as of September 30, 2016. Interest paid and incremental sales tax revenues were \$2,120,488 and 2,328,143, respectively, for each corporation during the year ended September 30, 2016.

TCLDC has pledged a portion of its future sales tax revenues to repay \$142,240,000 of sales tax incremental contract revenue bonds that the Corporation issued in February 2013 to finance the acquisition of land and cost of construction and infrastructure associated with the Nebraska Furniture Mart Texas project. Total principal and interest remaining on these bonds is approximately \$308 million as of September 30, 2016. Interest paid and incremental sales tax revenues were \$7,456,228 and \$3,862,676, respectively, during the year ended September 30, 2016.

Description to Debt Indentures

Certificate of Obligation Bonds

The City issues certificate of obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. The City is required by ordinance to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due.

Revenue Bonds

The City issues revenue bonds to construct water and sewer system improvements. The City is required by the applicable revenue bond indentures to pledge the net revenues of the Water and Sewer Enterprise Fund for the retirement of its outstanding revenue bonds, including interest thereon, and is required to maintain debt service funds and bond reserve funds for all such bonds outstanding.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. LONG-TERM DEBT – CONTINUED

Bond Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions at September 30, 2016.

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2016, are as follows:

Certificate of Obligation Bonds

Annual debt service requirements to maturity for certificate obligation bonds, including interest of \$7,065,791 for governmental activities, and \$12,285,783 for business-type activities are as follows:

Fiscal Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 1,096,850	\$ 739,318	\$ 1,836,168
2018	814,750	696,954	1,511,704
2019	775,000	598,157	1,373,157
2020	813,100	571,180	1,384,280
2021	813,450	538,223	1,351,673
2022-2026	4,615,650	2,219,874	6,835,524
2027-2031	4,731,250	1,331,593	6,062,843
2032-2035	1,104,950	370,492	1,475,442
Total	<u>\$ 14,765,000</u>	<u>\$ 7,065,791</u>	<u>\$ 21,830,791</u>

Fiscal Year Ending September 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 1,578,150	\$ 1,262,203	\$ 2,840,353
2018	1,305,250	1,182,301	2,487,551
2019	1,365,000	1,115,730	2,480,730
2020	1,431,900	1,049,507	2,481,407
2021	1,496,550	983,539	2,480,089
2022-2026	8,374,350	3,873,050	12,247,400
2027-2031	9,263,750	2,219,834	11,483,584
2032-2035	7,650,300	599,619	8,249,919
Total	<u>\$ 32,465,250</u>	<u>\$ 12,285,783</u>	<u>\$ 44,751,033</u>

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

General Obligation Bonds

Annual debt service requirements to maturity for general obligation bonds, including interest of \$5,957,305 for governmental activities, \$5,343,872 for business-type activities, and \$438,851 for component unit activities are as follows:

Fiscal Year Ending September 30	Government Activities		
	Principal	Interest	Total
2017	\$ 2,763,950	\$ 1,124,404	\$ 3,888,354
2018	2,776,800	1,056,607	3,833,407
2019	2,519,850	977,911	3,497,761
2020	2,620,900	899,176	3,520,076
2021	2,355,450	813,445	3,168,895
2022-2027	6,307,260	1,085,762	7,393,022
Total	<u>\$ 19,344,210</u>	<u>\$ 5,957,305</u>	<u>\$ 25,301,515</u>

Fiscal Year Ending September 30	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 2,714,050	\$ 1,065,670	\$ 3,779,720
2018	2,859,400	964,597	3,823,997
2019	2,822,000	844,783	3,666,783
2020	2,964,900	714,075	3,678,975
2021	2,921,000	574,016	3,495,016
2022-2027	12,586,795	1,180,731	13,767,526
Total	<u>\$ 26,868,145</u>	<u>\$ 5,343,872</u>	<u>\$ 32,212,017</u>

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

General Obligation Bonds – Continued

Fiscal Year Ending September 30	Component-Units		
	Principal	Interest	Total
2017	\$ 187,000	\$ 82,752	\$ 269,752
2018	193,800	75,272	269,072
2019	203,150	65,582	268,732
2020	214,200	55,424	269,624
2021	223,550	44,714	268,264
2022-2026	845,955	115,107	961,062
Total	<u>\$ 1,867,655</u>	<u>\$ 438,851</u>	<u>\$ 2,306,506</u>

Revenue Bonds

Revenue bond debt service requirements to maturity, including interest of \$248,384,577 for component unit activities are as follows:

Fiscal Year Ending September 30	Component-Units		
	Principal	Interest	Total
2017	\$ 390,000	\$ 11,697,205	\$ 12,087,205
2018	410,000	11,679,655	12,089,655
2019	640,000	11,660,179	12,300,179
2020	770,000	11,618,579	12,388,579
2021	2,275,000	11,568,354	13,843,354
2022-2026	15,535,000	56,049,421	71,584,421
2027-2031	24,515,000	51,135,878	75,650,878
2032-2036	37,445,000	42,556,581	80,001,581
2037-2041	55,720,000	28,914,144	84,634,144
2042-2046	48,560,000	10,385,368	58,945,368
2047-2050	15,140,000	1,119,213	16,259,213
Total	<u>\$ 201,400,000</u>	<u>\$ 248,384,577</u>	<u>\$ 449,784,577</u>

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Capital Leases

During 2015, the City entered into a capital lease in the amount of \$935,000. Proceeds from the lease were used to obtain equipment with an initial cost of \$935,000 which has been recorded as capital assets. Future lease payments, including interest at 3.606%, are as follows:

Fiscal Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2017	\$ 84,484	\$ 27,681	\$ 112,165
2018	87,530	24,635	112,165
2019	90,687	21,478	112,165
2020	93,957	18,208	112,165
2021	97,345	14,820	112,165
2022-2024	313,608	22,885	336,493
Total	<u>\$ 767,611</u>	<u>\$ 129,707</u>	<u>\$ 897,318</u>

NOTE 6. TRANSFERS AND INTERFUND RECEIVABLES/PAYABLES

All interfund transfers between the various funds are approved supplements to the operations of those funds. Individual fund transfers for fiscal year 2016 were as follows:

Transfer Fund	Transfer In	Transfer Out	Purpose of Transfer
General:			
Water & Sewer Enterprise	\$ 611,500	\$ -	Utility franchise fee
Capital Projects	-	1,176,870	Budgeted capital project money
Non-major Governmental	305,000	200,000	Operational costs
Capital Projects:			
General Fund	1,176,870	-	Bond Proceeds
Water & Sewer Enterprise	11,880,692	5,400,000	Budgeted capital project money
Water & Sewer Enterprise:			
General Fund	-	611,500	Utility franchise fee
Capital Projects	5,400,000	11,880,692	Budgeted capital project money
Non-major Governmental	350,000	-	Operational costs
Non-major Governmental:			
General Fund	200,000	305,000	Operational costs
Water & Sewer Enterprise	-	350,000	Operational costs
Non-major Governmental	300,000	300,000	Budgeted special events money
Non-major Governmental	14,093	14,093	Transfer of police seized funds
	<u>\$20,238,155</u>	<u>\$20,238,155</u>	

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN

A. Plan Description

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

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

B. Benefits Provided

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

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

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN – CONTINUED

B. Benefits Provided – Continued

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

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

Inactive employees or beneficiaries currently receiving benefits	156
Inactive employees entitled to but not yet receiving benefits	149
Active employees	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div> 300
	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100px;"></div> 605

C. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.63% and 12.22% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$2,399,108, and were equal to the required contributions.

D. Net Pension Liability

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

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN – CONTINUED

D. Net Pension Liability – Continued

Actuarial Assumptions:

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality 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.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN – CONTINUED

D. Net Pension Liability – Continued

Actuarial Assumptions – Continued:

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 arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN – CONTINUED

D. Net Pension Liability – Continued

Allocations

The City's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 70,956,692.00	\$ 65,723,827	\$ 5,232,865
Changes for the year:			
Service Cost	3,038,645	-	3,038,645
Interest	4,956,953	-	4,956,953
Change of benefit terms	-	-	-
Difference between expected and actual experience	681,456	-	681,456
Changes of assumptions	1,451,967	-	1,451,967
Contributions - employer	-	2,336,643	(2,336,643)
Contributions - employee	-	1,309,761	(1,309,761)
Net investment income	-	96,983	(96,983)
Benefit payments, including refunds of employee contributions	(3,324,791)	(3,324,791)	-
Administrative expense	-	(59,070)	59,070
Other changes	-	(2,918)	2,918
Net Changes	<u>6,804,230</u>	<u>356,608</u>	<u>6,447,622</u>
Balance at 12/31/15	<u>\$ 77,760,922</u>	<u>\$ 66,080,435</u>	<u>\$ 11,680,487</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 23,038,746	\$ 11,680,487	\$ 2,367,197

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN – CONTINUED

D. Net Pension Liability – Continued

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$3,431,789. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 543,229	\$ 665,033
Changes in actuarial assumptions	1,157,450	-
Difference between projected and actual investment earnings	4,076,868	-
Contributions subsequent to the measurement date	<u>1,730,497</u>	<u>-</u>
Total	<u>\$ 7,508,044</u>	<u>\$ 665,033</u>

The \$1,730,497 reported as deferred outflows of resources related to pensions result from contributions subsequent to the measurement date and will reduce the net pension liability during the fiscal year ending September 30, 2017. The other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended Sept. 30:	Net deferred outflows (inflows) of resources
2017	\$ 1,284,632
2018	1,284,632
2019	1,284,633
2020	<u>1,258,617</u>
	<u>\$ 5,112,514</u>

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. DEFERRED COMPENSATION PLAN

The City participates in a deferred compensation plan, which falls under Internal Revenue Code Section 457. Virtually all employees are eligible to participate in the plan. The deferred compensation plan allows the deferral of individual federal income taxes until funds are withdrawn. Funds may be withdrawn at termination, retirement, death or unforeseeable emergency. Employees may contribute a maximum of 100% of compensation included in gross income or \$15,500 whichever is less.

As a result of legislative changes, all amounts of compensation deferred, all property and rights purchased, and all income, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property and rights of the City subject only to the claims of the City's general creditors. As a result, at September 30, 2016, the deferred compensation investments in the amount of \$5,713,059 are not reported in the City's financial statements.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time although the City expects such amounts, if any, to be immaterial to the basic financial statements.

At September 30, 2016, certain claims and litigation against the City are pending with respect to matters arising in the normal course of the City's operations. City management is of the opinion that the settlement of these matters will not have a material adverse effect on the City's financial statements.

At September 30, 2016, the City had authorized construction contract commitments of \$25,495,836.

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2016, the City purchased commercial insurance to cover these liabilities. Additionally, the City purchases commercial insurance to cover employee health benefits. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three years.

**CITY OF THE COLONY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. FUND BALANCE/NET POSITION

The composition of the City's governmental fund balances as of September 30, 2016 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Non major Governmental Funds	Total Governmental Funds
Non-spendable:					
Inventory	\$ 84,765	\$ -	\$ -	\$ -	\$ 84,765
Prepays	199,357	-	1,554	4,011	204,922
	<u>284,122</u>	<u>-</u>	<u>1,554</u>	<u>4,011</u>	<u>289,687</u>
Restricted for:					
Debt service	-	1,922,262	-	-	1,922,262
Tourism	-	-	-	224,110	224,110
Library	-	-	-	1,137	1,137
Police	-	-	-	56,762	56,762
Child Safety	-	-	-	59,588	59,588
Stormwater drainage	-	-	-	130,482	130,482
Court	-	-	-	311,767	311,767
PID No. 1	-	-	-	401,879	401,879
Social and community services	-	-	-	75,424	75,424
Capital projects	367,397	-	790,306	-	1,157,703
	<u>367,397</u>	<u>1,922,262</u>	<u>790,306</u>	<u>1,261,149</u>	<u>4,341,114</u>
Committed for:					
Parks	-	-	-	792,612	792,612
Capital projects	-	-	9,762,612	-	9,762,612
Special events	-	-	-	132,895	132,895
	<u>-</u>	<u>-</u>	<u>9,762,612</u>	<u>925,507</u>	<u>10,688,119</u>
Unassigned					
	<u>13,275,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,275,540</u>
	<u>\$ 13,927,059</u>	<u>\$ 1,922,262</u>	<u>\$ 10,554,472</u>	<u>\$ 2,190,667</u>	<u>\$ 28,594,460</u>

Net position restricted for other reported for the governmental activities in the statement of net position is comprised of the same balance that is reported as restricted fund balance in the non-major governmental funds.

NOTE 12. SUBSEQUENT EVENTS

On November, 15, 2016, the City issued \$17,700,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016. Proceeds from the sale of the Certificates will be used for constructing, improving and renovating streets, alleys, culverts and bridges; improving and extending the City's waterworks and sewer system; acquiring equipment and vehicles; improving and equipping the City's information technology system; and constructing, improving and equipping park and recreational facilities.



**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF THE COLONY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS - TMRS
LAST TWO MEASUREMENT YEARS

	Measurement Year 2015	Measurement Year 2014
Total pension liability:		
Service cost	\$ 3,038,645	\$ 2,636,444
Interest	4,956,953	4,717,021
Changes of benefit terms	-	
Difference between expected and actual experience	681,456	(1,078,676)
Change in assumptions	1,451,967	-
Benefit payments, including refunds of employee contributions	<u>(3,324,791)</u>	<u>(2,771,781)</u>
Net change in total pension liability	6,804,230	3,503,008
Total pension liability - beginning	<u>70,956,692</u>	<u>67,453,684</u>
Total pension liability - ending (a)	<u>77,760,922</u>	<u>70,956,692</u>
Plan fiduciary net position:		
Contributions - employer	2,336,643	2,051,029
Contributions - employee	1,309,761	1,179,152
Net investment income	96,983	3,534,120
Benefit payments, including refunds of employee contributions	(3,324,791)	(2,771,781)
Administrative expense	(59,070)	(36,893)
Other	<u>(2,918)</u>	<u>(3,033)</u>
Net change in plan fiduciary net position	356,608	3,952,594
Plan fiduciary net position - beginning	<u>65,723,827</u>	<u>61,771,233</u>
Plan fiduciary net position - ending (b)	<u>66,080,435</u>	<u>65,723,827</u>
Net pension liability - ending (a) - (b)	<u>\$ 11,680,487</u>	<u>\$ 5,232,865</u>
Plan fiduciary net position as a percentage of total pension liability	84.98%	92.63%
Covered employee payroll	\$ 18,710,868	\$ 16,838,560
Net pension liability as a percentage of covered employee payroll	62.43%	31.08%

Note: Only two years of data is presented in accordance with GASB #68, paragraph 138. "The information for all period for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years' information will be displayed as it becomes available."

**CITY OF THE COLONY, TEXAS
SCHEDULE OF CONTRIBUTIONS - TMRS
LAST TWO FISCAL YEARS**

	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	\$ 2,399,108	\$ 2,224,043
Contribution in relation of the actuarially determined contribution	<u>2,399,108</u>	<u>2,224,043</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 19,236,056	\$ 19,145,821
Contributions as a percentage of covered employee payroll	12.47%	11.62%

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the City's fiscal year as opposed to the time period covered by the measurement date.

Note: Only two years of data is presented in accordance with GASB #68, paragraph 138. "The information for all period for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years' information will be displayed as it becomes available."

**CITY OF THE COLONY, TEXAS
NOTES TO TMRS REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.00% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**CITY OF THE COLONY, TEXAS
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Ad valorem taxes, penalties and interest	\$ 15,734,606	\$ 15,734,606	\$ 16,102,953	\$ 368,347
Franchise taxes	2,364,510	2,364,510	2,527,792	163,282
Municipal sales tax	5,420,000	5,420,000	5,736,997	316,997
Licenses and permits	1,227,300	1,227,300	2,266,442	1,039,142
Charge for services	1,156,150	1,156,150	1,315,955	159,805
Fines and forfeitures	908,400	908,400	824,955	(83,445)
Grants	127,000	127,000	142,042	15,042
Gifts and Contributions	322,560	310,560	310,560	-
Investment income	5,500	5,500	75,366	69,866
Miscellaneous	534,000	534,000	726,735	192,735
Total revenues	<u>27,800,026</u>	<u>27,788,026</u>	<u>30,029,797</u>	<u>2,241,771</u>
EXPENDITURES				
Current:				
General government:				
Community image	416,395	422,424	481,411	(58,987)
General administration	820,960	829,104	896,714	(67,610)
City secretary	340,897	345,505	380,693	(35,188)
City council	142,449	142,449	138,038	4,411
Human resources	319,086	380,431	345,716	34,715
Finance	862,089	874,954	884,441	(9,487)
Information technology	594,184	602,104	606,880	(4,776)
Nondepartmental	5,493,322	4,831,071	3,516,776	1,314,295
Fleet services	686,490	697,457	699,163	(1,706)
Public safety:				
Municipal court	409,951	416,057	405,910	10,147
Fire	6,131,273	6,285,253	6,281,627	3,626
Police	7,783,297	8,305,202	8,479,447	(174,245)
Public works:				
Engineering	1,474,518	1,505,725	1,526,486	(20,761)
Facilities maintenance	438,783	444,732	468,230	(23,498)
Culture and recreation:				
Parks and recreation	2,075,540	2,160,887	2,040,182	120,705
Aquatic park	427,866	456,788	430,793	25,995
Library	998,495	1,035,579	1,023,092	12,487
Community center	135,213	140,303	135,731	4,572
Total expenditures	<u>29,550,808</u>	<u>29,876,025</u>	<u>28,741,330</u>	<u>1,134,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,750,782)</u>	<u>(2,087,999)</u>	<u>1,288,467</u>	<u>3,376,466</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	916,500	916,500	916,500	-
Transfers to other funds	(200,000)	(200,000)	(1,376,870)	(1,176,870)
Total other financing sources (uses)	<u>716,500</u>	<u>716,500</u>	<u>(460,370)</u>	<u>(1,176,870)</u>
NET CHANGE IN FUND BALANCE	<u>(1,034,282)</u>	<u>(1,371,499)</u>	<u>828,097</u>	<u>2,199,596</u>
FUND BALANCES, BEGINNING OF YEAR	<u>13,098,962</u>	<u>13,098,962</u>	<u>13,098,962</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 12,064,680</u>	<u>\$ 11,727,463</u>	<u>\$ 13,927,059</u>	<u>\$ 2,199,596</u>

**CITY OF THE COLONY, TEXAS
NOTES TO BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2016**

BUDGETARY INFORMATION

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Prior to July 31, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. The proposed budget is filed with the City Secretary not less than 30 days prior to the time the City Council approves the tax levy for the fiscal year commencing the following October 1. Public hearings are conducted to obtain taxpayers' comments.
3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. The City Manager has authority to transfer appropriation balances from one expenditure account to another within a single department of the City. Only the City Council may transfer any unencumbered appropriation balance or portion thereof from one department to another. Appropriations lapse at the end of the fiscal year.

An annual budget is legally adopted for the General Fund using accounting principles generally accepted in the United States of America in all material respects.

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**



DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation bonds and interest from governmental resources.

**CITY OF THE COLONY, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Ad valorem tax	\$ 4,930,000	\$ 4,930,000	\$ 5,059,643	\$ 129,643
Gifts and contributions	1,033,408	1,033,408	1,034,231	823
Investment income	-	-	16,468	16,468
Grants	127,400	127,400	127,400	-
Total revenues	<u>6,090,808</u>	<u>6,090,808</u>	<u>6,237,742</u>	<u>146,934</u>
EXPENDITURES				
Debt service:				
Principal retirement	4,258,732	4,258,732	3,985,693	273,039
Interest and fiscal charges	1,592,022	1,592,022	1,485,036	106,986
Other debt service costs	-	-	272,250	(272,250)
Total expenditures	<u>5,850,754</u>	<u>5,850,754</u>	<u>5,742,979</u>	<u>107,775</u>
Excess of revenues				
Over expenditures	240,054	240,054	494,763	254,709
OTHER FINANCING SOURCES (USES)				
Payments to bond escrow agent	-	-	(9,623,402)	(9,623,402)
Premiums from issuance of bonds	-	-	637,273	637,273
Issuance of bonds	-	-	9,023,150	9,023,150
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>37,021</u>	<u>37,021</u>
NET CHANGE IN FUND BALANCES	240,054	240,054	531,784	291,730
FUND BALANCE, BEGINNING OF YEAR	<u>1,390,478</u>	<u>1,390,478</u>	<u>1,390,478</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,630,532</u>	<u>\$ 1,630,532</u>	<u>\$ 1,922,262</u>	<u>\$ 291,730</u>

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or committed to expenditures for specific purposes.

Lake Parks Fund – To account for revenue generated by fees and permits to enter and utilize the park area and facilities located on the eastern shore of Lake Lewisville.

Special Events Fund – To account for various special events of the City including Christmas decorations, 4th of July fireworks display, and other special events held by the City.

Hotel/Motel Taxes Fund – To account for the receipt and allocation of the City's hotel/motel occupancy tax.

Library Grants Fund – To account for proceeds received from various state grants received for the Library.

Police Forfeited Fund – To account for the funds granted to the police department that have been awarded by the court.

Federal Seized Fund – To account for funds granted to the police department in a revenue sharing agreement with the federal government.

Police Seized Fund – To account for funds seized by the police department that are awaiting disposition by the court.

Child Safety Fund – To account for child safety fees collected according to state statute to fund the school crossing guard program and other programs designed to enhance child safety, health or nutrition.

Storm Water Utility Fund – To account for the revenue and expenses associated with the drainage projects within the City.

Court Security Fund – To account for the revenue and expenditures associated with the portion of traffic tickets that have been restricted for the security of the Municipal Court.

Court Technology Fund – To account for the revenue and expenditures associated with the portion of traffic tickets restricted for upgrading the technology in the Municipal Court.

Keep The Colony Beautiful – To account for revenue and expenditures associated with the City-supported community volunteer program designed to help property owners who can't maintain their properties due to financial or physical limitations.

Citizens Donations Fund – To account for money received from the \$1 Add-On Program and the Recycling Rebate Program. This money is restricted for social and community services, public safety citizen programs and beautification projects.

Public Improvement District (PID) No.1 – To account for revenues and expenditures related to the City of The Colony Public Improvement District No. 1.

**CITY OF THE COLONY, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016**

SPECIAL REVENUE

	LAKE PARKS	SPECIAL EVENTS	HOTEL/ MOTEL TAXES	LIBRARY GRANTS	POLICE FORFEITED FUND	FEDERAL SEIZED FUND
ASSETS						
Cash and cash equivalents	\$ 786,667	\$ 143,856	\$ 134,149	\$ 1,137	\$ 50,764	\$ 6,036
Accounts receivable	5,945	-	119,688	-	-	-
Prepays	-	934	3,077	-	-	-
TOTAL ASSETS	\$ 792,612	\$ 144,790	\$ 256,914	\$ 1,137	\$ 50,764	\$ 6,036
LIABILITIES AND FUND BALANCES (DEFICITS)						
LIABILITIES						
Accounts payable and accrued expenses	\$ -	\$ 10,961	\$ 29,727	\$ -	\$ 38	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-	10,961	29,727	-	38	-
FUND BALANCES						
Non spendable	-	934	3,077	-	-	-
Restricted	-	-	224,110	1,137	50,726	6,036
Committed	792,612	132,895	-	-	-	-
TOTAL FUND BALANCES	792,612	133,829	227,187	1,137	50,726	6,036
TOTAL LIABILITIES AND FUND BALANCES	\$ 792,612	\$ 144,790	\$ 256,914	\$ 1,137	\$ 50,764	\$ 6,036

EXHIBIT C-1

SPECIAL REVENUE

POLICE SEIZED FUND	CHILD SAFETY FUND	STORM WATER UTILITY	COURT SECURITY	COURT TECHNOLOGY	KEEP THE COLONY BEAUTIFUL	CITIZENS DONATIONS	PID No. 1	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
\$ -	\$ 15,338	\$ 130,482	\$ 278,739	\$ 33,066	\$ 67,918	\$ 7,601	\$ 458,988	\$ 2,114,741
-	44,250	-	-	-	-	-	-	169,883
-	-	-	-	-	-	-	-	4,011
<u>\$ -</u>	<u>\$ 59,588</u>	<u>\$ 130,482</u>	<u>\$ 278,739</u>	<u>\$ 33,066</u>	<u>\$ 67,918</u>	<u>\$ 7,601</u>	<u>\$ 458,988</u>	<u>\$ 2,288,635</u>
\$ -	\$ -	\$ -	\$ -	\$ 38	\$ 95	\$ -	\$ 57,109	\$ 97,968
-	-	-	-	-	-	-	-	-
-	-	-	-	38	95	-	57,109	97,968
-	-	-	-	-	-	-	-	4,011
-	59,588	130,482	278,739	33,028	67,823	7,601	401,879	1,261,149
-	-	-	-	-	-	-	-	925,507
-	59,588	130,482	278,739	33,028	67,823	7,601	401,879	2,190,667
<u>\$ -</u>	<u>\$ 59,588</u>	<u>\$ 130,482</u>	<u>\$ 278,739</u>	<u>\$ 33,066</u>	<u>\$ 67,918</u>	<u>\$ 7,601</u>	<u>\$ 458,988</u>	<u>\$ 2,288,635</u>

**CITY OF THE COLONY, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	SPECIAL REVENUE					
	LAKE PARKS	SPECIAL EVENTS	HOTEL/ MOTEL TAXES	LIBRARY GRANTS	POLICE FORFEITED FUND	FEDERAL SEIZED FUND
REVENUES						
Licenses and permits	\$ 265,813	\$ -	\$ -	\$ -	\$ -	\$ -
Property and other taxes	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	9,276	-
Charges for services	-	-	-	-	-	-
Hotel / motel taxes	-	-	668,011	-	-	-
Gifts and contributions	62,000	1,250	-	-	-	-
Grants	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Miscellaneous	-	65,288	-	-	288	-
Total revenues	<u>327,813</u>	<u>66,538</u>	<u>668,011</u>	<u>-</u>	<u>9,564</u>	<u>-</u>
EXPENDITURES						
Current:						
Culture and recreation	97,647	394,439	397,788	-	-	-
Public works	-	-	-	-	-	-
Public safety	-	-	-	-	20,539	2,500
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>97,647</u>	<u>394,439</u>	<u>397,788</u>	<u>-</u>	<u>20,539</u>	<u>2,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>230,166</u>	<u>(327,901)</u>	<u>270,223</u>	<u>-</u>	<u>(10,975)</u>	<u>(2,500)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	380,000	100,000	-	14,093	-
Transfers to other funds	(35,000)	-	(300,000)	-	-	-
Total other financing sources (uses)	<u>(35,000)</u>	<u>380,000</u>	<u>(200,000)</u>	<u>-</u>	<u>14,093</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	195,166	52,099	70,223	-	3,118	(2,500)
FUND BALANCES, BEGINNING OF YEAR	<u>597,446</u>	<u>81,730</u>	<u>156,964</u>	<u>1,137</u>	<u>47,608</u>	<u>8,536</u>
FUND BALANCES, END OF YEAR	<u>\$ 792,612</u>	<u>\$ 133,829</u>	<u>\$ 227,187</u>	<u>\$ 1,137</u>	<u>\$ 50,726</u>	<u>\$ 6,036</u>

EXHIBIT C-2

SPECIAL REVENUE

POLICE SEIZED FUND	CHILD SAFETY FUND	STORM WATER UTILITY	COURT SECURITY	COURT TECHNOLOGY	KEEP THE COLONY BEAUTIFUL	CITIZENS DONATIONS	PID No. 1	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 580,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 846,571
-	-	-	-	-	-	-	94,787	94,787
2,771	-	-	14,220	18,959	-	-	-	45,226
-	-	-	-	-	-	-	2,834,293	2,834,293
-	-	-	-	-	-	-	-	668,011
-	-	-	-	-	16	752	-	64,018
-	47,230	-	-	-	-	-	-	47,230
-	-	-	-	-	-	-	6,008	6,008
-	-	-	-	-	-	-	-	65,576
<u>2,771</u>	<u>47,230</u>	<u>580,758</u>	<u>14,220</u>	<u>18,959</u>	<u>16</u>	<u>752</u>	<u>2,935,088</u>	<u>4,671,720</u>
-	-	-	-	-	-	-	-	889,874
-	-	7,512	-	-	3,957	-	1,068,152	1,079,621
1,393	30,913	-	-	16,878	-	-	-	72,223
-	-	-	-	-	-	-	234,206	234,206
<u>1,393</u>	<u>30,913</u>	<u>7,512</u>	<u>-</u>	<u>16,878</u>	<u>3,957</u>	<u>-</u>	<u>1,302,358</u>	<u>2,275,924</u>
<u>1,378</u>	<u>16,317</u>	<u>573,246</u>	<u>14,220</u>	<u>2,081</u>	<u>(3,941)</u>	<u>752</u>	<u>1,632,730</u>	<u>2,395,796</u>
-	-	-	-	-	20,000	-	-	514,093
(14,093)	(20,000)	(600,000)	-	-	-	-	-	(969,093)
<u>(14,093)</u>	<u>(20,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>(455,000)</u>
(12,715)	(3,683)	(26,754)	14,220	2,081	16,059	752	1,632,730	1,940,796
<u>12,715</u>	<u>63,271</u>	<u>157,236</u>	<u>264,519</u>	<u>30,947</u>	<u>51,764</u>	<u>6,849</u>	<u>(1,230,851)</u>	<u>249,871</u>
<u>\$ -</u>	<u>\$ 59,588</u>	<u>\$ 130,482</u>	<u>\$ 278,739</u>	<u>\$ 33,028</u>	<u>\$ 67,823</u>	<u>\$ 7,601</u>	<u>\$ 401,879</u>	<u>\$ 2,190,667</u>

**CITY OF THE COLONY
LAKE PARKS SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Fees and permits	\$ 211,000	\$ 211,000	\$ 265,813	\$ 54,813
Development contributions	62,000	62,000	62,000	-
Total revenues	<u>273,000</u>	<u>273,000</u>	<u>327,813</u>	<u>54,813</u>
EXPENDITURES				
Culture and recreation	103,288	103,288	97,647	5,641
Capital outlay	300,000	300,000	-	300,000
Total expenditures	<u>403,288</u>	<u>403,288</u>	<u>97,647</u>	<u>305,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,288)</u>	<u>(130,288)</u>	<u>230,166</u>	<u>360,454</u>
OTHER FINANCING SOURCES				
Transfers to other funds	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Total other financing uses	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(165,288)	(165,288)	195,166	360,454
FUND BALANCE, BEGINNING OF YEAR	<u>597,446</u>	<u>597,446</u>	<u>597,446</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 432,158</u>	<u>\$ 432,158</u>	<u>\$ 792,612</u>	<u>\$ 360,454</u>

**CITY OF THE COLONY
SPECIAL EVENTS SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Gifts and contributions	\$ 1,500	\$ 1,500	\$ 1,250	\$ (250)
Miscellaneous	58,500	58,500	65,288	6,788
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>66,538</u>	<u>6,538</u>
EXPENDITURES				
Culture and recreation	434,706	436,897	394,439	42,458
Total expenditures	<u>434,706</u>	<u>436,897</u>	<u>394,439</u>	<u>42,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(374,706)</u>	<u>(376,897)</u>	<u>(327,901)</u>	<u>48,996</u>
OTHER FINANCING SOURCES				
Transfers from other funds	380,000	380,000	380,000	-
Total other financing sources	<u>380,000</u>	<u>380,000</u>	<u>380,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	5,294	3,103	52,099	48,996
FUND BALANCE, BEGINNING OF YEAR	<u>81,730</u>	<u>81,730</u>	<u>81,730</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 87,024</u>	<u>\$ 84,833</u>	<u>\$ 133,829</u>	<u>\$ 48,996</u>

**CITY OF THE COLONY
HOTEL/MOTEL TAXES SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Hotel / motel taxes	\$ 550,000	\$ 550,000	\$ 668,011	\$ 118,011
Total revenues	<u>550,000</u>	<u>550,000</u>	<u>668,011</u>	<u>118,011</u>
EXPENDITURES				
Culture and recreation	<u>391,129</u>	<u>398,056</u>	<u>397,788</u>	<u>268</u>
Total expenditures	<u>391,129</u>	<u>398,056</u>	<u>397,788</u>	<u>268</u>
Excess of revenues over expenditures	<u>158,871</u>	<u>151,944</u>	<u>270,223</u>	<u>118,279</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	100,000	100,000	100,000	-
Transfers to other funds	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(41,129)	(48,056)	70,223	118,279
FUND BALANCE, BEGINNING OF YEAR	<u>156,964</u>	<u>156,964</u>	<u>156,964</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 115,835</u>	<u>\$ 108,908</u>	<u>\$ 227,187</u>	<u>\$ 118,279</u>

**CITY OF THE COLONY
CHILD SAFETY SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Grants	\$ 48,000	\$ 48,000	\$ 47,230	\$ (770)
Total revenues	<u>48,000</u>	<u>48,000</u>	<u>47,230</u>	<u>(770)</u>
EXPENDITURES				
Public safety	30,914	30,914	30,913	(1)
Total expenditures	<u>30,914</u>	<u>30,914</u>	<u>30,913</u>	<u>(1)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,086</u>	<u>17,086</u>	<u>16,317</u>	<u>(769)</u>
OTHER FINANCING USES				
Transfers to other funds	(20,000)	(20,000)	(20,000)	-
Total other financing uses	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(2,914)	(2,914)	(3,683)	(769)
FUND BALANCE, BEGINNING OF YEAR	<u>63,271</u>	<u>63,271</u>	<u>63,271</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 60,357</u>	<u>\$ 60,357</u>	<u>\$ 59,588</u>	<u>\$ (769)</u>

**CITY OF THE COLONY
STORM WATER UTILITY SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Fees and permits	\$ 500,000	\$ 500,000	\$ 580,758	\$ 80,758
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>580,758</u>	<u>80,758</u>
EXPENDITURES				
Public works	-	-	7,512	7,512
Total expenditures	<u>-</u>	<u>-</u>	<u>7,512</u>	<u>7,512</u>
Excess of revenues over expenditures	<u>500,000</u>	<u>500,000</u>	<u>573,246</u>	<u>73,246</u>
OTHER FINANCING USES				
Transfers to other funds	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Total other financing uses	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(100,000)	(100,000)	(26,754)	73,246
FUND BALANCE, BEGINNING OF YEAR	<u>157,236</u>	<u>157,236</u>	<u>157,236</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 57,236</u>	<u>\$ 57,236</u>	<u>\$ 130,482</u>	<u>\$ 73,246</u>

DISCRETELY PRESENTED COMPONENT UNITS

The Colony Economic Development Corporation (TCEDC) – TCEDC is a legally separate entity from the City and was organized exclusively for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of public welfare.

The Colony Community Development Corporation (TCCDC) – TCCDC is a legally separate entity from the City and was organized for the purpose of the promotion of economic development by developing, implementing, and financing projects under the Development Corporation Act of 1979.

The Colony Local Development Corporation (TCLDC) – The TCLDC is a legally separate entity from the City and was organized exclusively for the purpose of serving as the primary governing body for the funding of the Tax Increment Reinvestment Zone Number One public infrastructure between the City and NFM Services.

Tax Increment Reinvestment Zone Number One (TIRZ One) – The City created Tax Increment Reinvestment Zone Number One (TIRZ One) to provide additional financing resources to further enhance development within the zone. The City Council appoints a Board and Board members are removable by the City Council. TIRZ One commenced November 2011 and will terminate the earlier of the 40th anniversary of the date the City collects its first sales tax dollar within the zone, or the date on which all TIF project costs have been paid or funded and all TIF obligations have been paid in full.

**CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2016**

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 5,391,516
Sales tax receivable	1,032,875
Due from other governments	323,731
Prepaid items	2,235
Restricted assets:	
Cash and cash equivalents	<u>5,695,283</u>

Total assets \$ 12,445,640

LIABILITIES AND FUND BALANCES**LIABILITIES**

Accounts payable	<u>\$ 670,991</u>
Total liabilities	<u>670,991</u>

FUND BALANCES

Restricted for:	
Construction	8,738,357
Unassigned	<u>3,036,292</u>
Total fund balance	<u>11,774,649</u>

Total liabilities and fund balances \$ 12,445,640

**CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balances - governmental funds	\$ 11,774,649
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	18,329,601
Interest payable on long term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(280,404)
Deferred charges on refunding of long-term debt are reported as deferred outflows of resources in the government-wide financial statements, but are not reported in the governmental funds.	75,016
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year-end consist of:	
Bonds payable	(31,447,655)
Compensated absences	(80,401)
Discount on issuance of debt	1,810,249
Premium on issuance of debt	(140,768)
Net position of governmental activities	<u>\$ 40,287</u>

**CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

REVENUES	
Municipal sales tax	\$ 5,052,970
Intergovernmental	297,250
Investment income	24,216
Total revenues	<u>5,374,436</u>
EXPENDITURES	
Current:	
Economic development	1,869,024
Capital outlay	47,520
Debt service:	
Principal retirement	179,350
Interest and fiscal charges	2,213,388
Total expenditures	<u>4,309,282</u>
NET CHANGE IN FUND BALANCES	1,065,154
FUND BALANCES, BEGINNING OF YEAR	<u>10,709,495</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 11,774,649</u></u>

**CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - total governmental funds	\$ 1,065,154
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation.	47,520
Contributions of capital assets are not recorded in the governmental funds financial statements but they are recorded as an expense which reduces net position in the statement of activities.	(46,858)
Current year amortization of the costs of premiums, \$8,281, discounts, (\$67,046), and deferred losses on refundings (\$7,588) does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds. This is the net effect of these amounts.	(66,353)
Current year changes in accrued compensated absences do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.	(12,914)
Current year principal payments on long-term debt are recorded as expenditures in the fund financial statements, but are reflected as reductions in the liability for long-term debt in the government-wide financial statements.	179,350
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(4,767)
Change in Net Position of Governmental activities	<u>\$ 1,161,132</u>

**CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2016**

ASSETS

Cash and cash equivalents	\$	1,916,760
Sales tax receivable		1,032,875
Due from other governments		323,730
Prepaid items		671
Restricted assets:		
Cash and cash equivalents		5,698,465
Total assets	\$	8,972,501

LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts payable	\$	649,655
Total liabilities		649,655

FUND BALANCE

Restricted for:		
Construction		8,782,378
Unassigned		(459,532)
Total fund balance		8,322,846
Total liabilities and fund balance	\$	8,972,501

**CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balances - governmental funds	\$ 8,322,846
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	18,285,580
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(269,830)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year end consist of:	
Bonds payable	(29,580,000)
Discount on issuance of debt	<u>1,810,249</u>
Net position of governmental activities	<u>\$ (1,431,155)</u>

**CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

REVENUES

Municipal sales tax	\$ 5,052,970
Investment income	20,644
Miscellaneous	740
	<hr/>
Total revenues	5,074,354
	<hr/>

EXPENDITURES

Current:	
Economic development	2,700,029
Capital outlay	3,500
Debt service:	
Interest and fiscal charges	2,120,488
	<hr/>
Total expenditures	4,824,017
	<hr/>

Excess of revenues over expenditures	250,337
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FUND BALANCE, BEGINNING OF YEAR	<hr/> 8,072,509
FUND BALANCE, END OF YEAR	<hr/> \$ 8,322,846 <hr/>

**CITY OF THE COLONY, TEXAS
 THE COLONY COMMUNITY DEVELOPMENT CORPORATION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - total governmental funds	\$ 250,337
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation.	3,500
Contributions of capital assets are not recorded in the governmental funds financial statements but they are recorded as an expense which reduces net position in the statement of activities.	(46,857)
Current year amortization of the costs of discounts on debt issuance does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds.	(67,046)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.	<u>(4,769)</u>
Change in Net Position of Governmental activities	<u>\$ 135,165</u>

**CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2016**

ASSETS

Restricted cash and cash equivalents	<u>\$ 10,789,390</u>
Total assets	<u>\$ 10,789,390</u>

LIABILITIES AND FUND BALANCE**LIABILITIES**

Due to other governments	<u>\$ 647,461</u>
Total liabilities	<u>647,461</u>

FUND BALANCE

Restricted for:	
Construction	10,167,160
Unrestricted	<u>(25,231)</u>
Total fund balance	<u>10,141,929</u>
Total liabilities and fund balance	<u>\$ 10,789,390</u>

**CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balance - governmental fund	\$ 10,141,929
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	48,225,869
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Interest payable on long term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(952,740)
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Prepaid insurance costs associated with the issuance of bonds are recorded as expenditures at the time of issuance in the governmental funds financial statements. In the government-wide financial statements, these costs are recorded as an asset and amortized into expense over the life of the debt.	3,856,438
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year end consist of:

Bonds payable	(142,240,000)
Discount on issuance of debt	<u>39,285</u>

Net position for governmental activities	<u>\$ (80,929,219)</u>
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**CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

REVENUES

Intergovernmental	\$ 1,351,529
Municipal sales tax	4,656,286
Investment income	13,862
	<hr/>
Total revenues	6,763,554

EXPENDITURES

Capital outlay	10,500
Debt services:	
Interest and fiscal charges	7,456,229
	<hr/>
Total expenditures	7,466,729

NET CHANGE IN FUND BALANCE (703,175)

FUND BALANCE, BEGINNING OF YEAR

10,845,104

FUND BALANCE, END OF YEAR

\$ 10,141,929

**CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - Local Development Corporation	\$	(703,175)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation.		10,500
Current year amortization of the costs of discounts on debt issuance does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds.		(2,122)
Contributions of capital assets are not recorded in the governmental funds financial statements but they are recorded as an expense which reduces net position in the statement of activities.		(741,878)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.		<u>(20,711)</u>
Change in net position of governmental activities	<u>\$</u>	<u>(1,457,386)</u>

CITY OF THE COLONY, TEXAS
 TIRZ ONE
 BALANCE SHEET
 SEPTEMBER 30, 2016

ASSETS

Cash and cash equivalents	\$ -
Total assets	<u>-</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to primary government	-
Total liabilities	<u>-</u>

FUND BALANCE (DEFICIT)

Unrestricted	-
Total fund balance (deficit)	<u>-</u>

Total liabilities and fund balance (deficit)	<u><u>\$ -</u></u>
---	--------------------

**CITY OF THE COLONY, TEXAS
TIRZ ONE
RECONCILIATION OF THE GOVERNMENT FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balance - governmental fund	\$	-
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>There were no differences as of September 30, 2016</p>		
Net position for governmental activities	\$	-

**CITY OF THE COLONY, TEXAS
TIRZ ONE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

REVENUES	
Miscellaneous	\$ 7,551
Total revenues	<u>7,551</u>
EXPENDITURES	
Capital outlay	-
Total expenditures	<u>-</u>
Excess of revenues over expenditures	7,551
FUND BALANCE, BEGINNING OF YEAR	<u>(7,551)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ -</u></u>

**CITY OF THE COLONY, TEXAS
TIRZ ONE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - TIRZ One	\$	7,551
--	----	-------

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

Contributions of capital assets are not recorded in the governmental funds financial statements but they are recorded as an expense which reduces net position in the statement of activities.		(7,551)
--	--	---------

Change in net position of governmental activities	\$	-
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STATISTICAL SECTION



STATISTICAL SECTION
(Unaudited)

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

		<u>Tables</u>
Financial Trends	These Schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity	These schedules present information to help the reader assess the City's most significant local revenue source, the property tax.	5-8
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	9-13
Demographic and Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14-16
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relate to the services the City provides and the activities it performs.	17-18

**CITY OF THE COLONY, TEXAS
NET POSITION BY COMPONENT
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 110,759,032	\$ 114,835,815	\$ 120,522,026	\$ 120,889,617
Restricted for:				
Debt service	275,435	969,106	1,378,540	1,417,890
Construction	-	-	-	-
Governmental funded construction costs	-	-	-	21,587,370
Other	-	-	-	-
Unrestricted	9,769,205	11,545,288	6,788,851	7,104,234
Total governmental activities net position	\$ 120,803,672	\$ 127,350,209	\$ 128,689,417	\$ 150,999,111
Business-type activities				
Net investment in capital assets	\$ 28,799,583	\$ 31,288,426	\$ 34,221,183	\$ 34,339,436
Restricted for:				
Debt service	1,987,616	1,927,384	2,008,372	2,125,650
Construction	-	-	-	-
Unrestricted	4,802,190	5,188,745	4,527,153	5,272,751
Total business-type activities net position	\$ 35,589,389	\$ 38,404,555	\$ 40,756,708	\$ 41,737,837
Primary government				
Net investment in capital assets	\$ 139,558,615	\$ 146,124,241	\$ 154,743,209	\$ 155,229,053
Restricted for:				
Debt service	2,263,051	2,896,490	3,386,912	3,543,540
Construction	-	-	-	-
Governmental funded construction costs	-	-	-	21,587,370
Other	-	-	-	-
Unrestricted	14,571,395	16,734,033	11,316,004	12,376,985
Total primary governmental net position	\$ 156,393,061	\$ 165,754,764	\$ 169,446,125	\$ 192,736,948

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 120,171,449	\$ 124,203,756	\$ 138,322,067	\$ 192,477,376	\$ 192,477,376	\$ 216,941,085
1,328,743	616,551	491,954	1,257,148	1,257,148	1,826,579
-	-	-	367,397	367,397	367,397
15,162,606	18,841,254	36,282,548	578,825	578,825	791,860
-	-	-	1,014,418	1,014,418	1,264,226
12,898,833	18,856,491	8,376,946	10,388,094	10,388,094	17,693,194
<u>\$ 149,561,631</u>	<u>\$ 162,518,052</u>	<u>\$ 183,473,515</u>	<u>\$ 206,083,258</u>	<u>\$ 206,083,258</u>	<u>\$ 238,884,341</u>
\$ 32,790,670	\$ 34,435,853	\$ 35,059,168	\$ 40,490,252	\$ 40,490,252	\$ 25,654,373
2,035,533	1,630,663	1,630,805	-	-	-
-	-	-	1,333,988	1,333,988	1,413,437
7,431,021	6,214,403	4,984,955	3,890,445	3,890,445	17,934,272
<u>\$ 42,257,224</u>	<u>\$ 42,280,919</u>	<u>\$ 41,674,928</u>	<u>\$ 45,714,685</u>	<u>\$ 45,714,685</u>	<u>\$ 45,002,082</u>
\$ 152,962,119	\$ 158,639,609	\$ 173,381,235	\$ 232,967,628	\$ 232,967,628	\$ 242,595,458
3,364,276	2,247,214	2,122,759	1,257,148	1,257,148	1,826,579
-	-	-	1,701,385	1,701,385	1,780,834
15,162,606	18,841,254	36,282,548	578,825	578,825	791,860
-	-	-	1,014,418	1,014,418	1,264,226
20,329,854	25,070,894	13,361,901	14,278,539	14,278,539	35,627,466
<u>\$ 191,818,855</u>	<u>\$ 204,798,971</u>	<u>\$ 225,148,443</u>	<u>\$ 251,797,943</u>	<u>\$ 251,797,943</u>	<u>\$ 283,886,423</u>

**CITY OF THE COLONY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 5,174,718	\$ 5,457,879	\$ 6,047,649	\$ 5,348,676
Public safety	9,615,093	10,724,686	11,931,119	12,007,197
Public works	7,138,705	6,787,684	6,460,351	7,259,566
Culture and recreation	3,869,375	3,828,479	4,166,790	4,328,613
Interest on Long-term Debt	2,113,208	1,797,601	2,294,631	2,148,148
Total governmental activities expenses	27,911,099	28,596,329	30,900,540	31,092,200
Business-type activities:				
Water and sewer	10,210,302	12,121,212	12,267,934	12,675,692
Total business-type activities expenses	10,210,302	12,121,212	12,267,934	12,675,692
Total primary government expenses	\$ 38,121,401	\$ 40,717,541	\$ 43,168,474	\$ 43,767,892
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	\$ 1,210,127	\$ 1,864,500	\$ 1,458,466	\$ 2,339,378
Public safety	1,626,470	1,678,345	1,556,809	1,376,055
Public works	509,999	609,161	648,546	3,035
Culture and recreation	571,053	636,726	628,334	636,493
Operating grants and contributions	3,426,207	2,866,700	1,760,789	2,113,635
Capital grants and contributions	8,226,536	6,706,427	3,947,382	24,282,758
Total governmental activities program revenues	15,570,392	14,361,859	10,000,326	30,751,354
Business-type activities:				
Charges for Services:				
Water and sewer	11,340,679	12,989,227	13,219,584	13,615,694
Operating grants and contributions	170,058	170,058	-	307,870
Capital grants and contributions	3,404,723	1,018,773	2,190,944	1,794,035
Total business-type activities program revenues	14,915,460	14,178,058	15,410,528	15,717,599
Total primary government program revenues	\$ 30,485,852	\$ 28,539,917	\$ 25,410,854	\$ 46,468,953
Net (Expenses) Revenues				
Governmental activities	\$ (12,340,707)	\$ (14,234,470)	\$ (20,900,214)	\$ (340,846)
Business-type activities	4,705,158	2,056,846	3,142,594	3,041,907
Total primary government net expenses	\$ (7,635,549)	\$ (12,177,624)	\$ (17,757,620)	\$ 2,701,061

Source: Comprehensive Annual Financial Report

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 5,358,521	\$ 5,088,732	\$ 5,376,865	\$ 4,657,245	\$ 8,498,744	\$ 11,225,704
14,315,846	13,033,809	13,307,649	14,111,478	13,702,805	17,950,628
6,103,481	6,540,099	5,901,952	6,365,189	6,634,461	6,601,440
4,220,462	4,383,077	4,603,345	4,861,085	4,945,616	5,171,748
2,803,970	2,262,515	1,718,298	1,615,808	1,552,854	1,390,574
32,802,280	31,308,232	30,908,109	31,610,805	35,334,480	42,340,094
12,966,102	13,262,154	14,009,946	14,046,013	15,332,384	16,750,973
12,966,102	13,262,154	14,009,946	14,046,013	15,332,384	16,750,973
\$ 45,768,382	\$ 44,570,386	\$ 44,918,055	\$ 45,656,818	\$ 50,666,864	\$ 59,091,067
\$ 2,394,953	\$ 1,382,069	\$ 1,820,291	\$ 817,907	\$ 677,339	\$ 3,608,782
1,756,273	1,467,787	1,269,844	1,909,552	1,621,361	1,546,836
-	-	-	1,734,579	3,308,308	2,213,005
681,708	691,786	1,249,298	738,844	758,969	764,819
1,532,482	14,574,876	22,019,655	2,673,886	5,712,865	3,268,620
1,939,338	2,766,960	2,899,255	8,730,508	11,365,061	25,670,242
8,304,754	20,883,478	29,258,343	16,605,276	23,443,903	37,072,304
14,502,097	13,646,312	13,579,477	14,406,435	15,210,296	15,959,047
-	-	-	51,745	306,999	307,161
731,229	676,404	1,338,003	1,572,935	5,055,328	6,426,313
15,233,326	14,322,716	14,917,480	16,031,115	20,572,623	22,692,521
\$ 23,538,080	\$ 35,206,194	\$ 44,175,823	\$ 32,636,391	\$ 44,016,526	\$ 59,764,825
\$ (24,497,526)	\$ (10,424,754)	\$ (1,649,766)	\$ (15,005,529)	\$ (11,890,577)	\$ (5,267,790)
2,267,224	1,060,562	907,534	1,985,102	5,240,239	5,941,548
\$ (22,230,302)	\$ (9,364,192)	\$ (742,232)	\$ (13,020,427)	\$ (6,650,338)	\$ 673,758

**CITY OF THE COLONY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
General Revenues				
and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 12,774,611	\$ 14,305,445	\$ 14,718,171	\$ 14,733,978
Sales taxes	2,880,852	3,055,468	3,096,768	3,118,514
Franchise taxes	1,939,565	1,807,584	2,049,184	2,024,933
Hotel motel taxes	141,496	125,573	129,444	282,798
Penalties and interest	121,549	126,492	124,297	154,803
Interest on investments	843,217	725,623	294,167	39,924
Impact fees	435,092	272,529	(360,501)	-
Miscellaneous	249,534	80,136	407,769	-
Transfers	2,456,591	282,247	1,857,605	2,295,590
Total governmental activities	21,842,507	20,781,097	22,316,904	22,650,540
Business-type activities:				
Property taxes	764,062	23,758	9,170	12,660
Interest on investments	864,807	552,763	199,739	29,222
Impact fees	433,122	444,770	835,678	139,110
Miscellaneous	18,405	19,276	22,577	-
Gain/loss on sale/disposal of capital assets	(296,098)	-	-	-
Transfers	(2,456,591)	(282,247)	(1,857,605)	(2,295,590)
Total business-type activities	(672,293)	758,320	(790,441)	(2,114,598)
Total primary government	21,170,214	21,539,417	21,526,463	20,535,942
Change in Net Position				
Governmental activities	9,501,800	6,546,627	1,416,690	22,309,694
Business-type activities	4,032,865	2,815,166	2,352,153	927,309
Total primary government	\$ 13,534,665	\$ 9,361,793	\$ 3,768,843	\$ 23,237,003

Source: Comprehensive Annual Financial Report

TABLE 2 – cont.

		Fiscal Year									
		2011	2012	2013	2014	2015	2016				
\$	14,643,407	\$	14,797,974	\$	14,926,095	\$	15,561,110	\$	17,277,344	\$	21,204,646
	3,435,175		3,655,111		4,098,458		4,452,674		5,294,228		5,736,997
	2,199,253		3,104,073		2,205,461		2,415,524		2,672,475		2,527,792
	371,056		370,798		425,177		473,743		525,449		668,011
	102,593		155,272		98,147		58,769		130,513		294,798
	76,193		50,088		43,567		19,516		19,660		102,126
	-		-		-		-		-		-
	-		-		501,649		706,755		763,871		792,311
	2,232,369		1,247,859		1,282,318		652,385		2,004,806		6,742,192
	23,060,046		23,381,175		23,580,872		24,340,476		28,688,346		38,068,873
	-		-		-		-		-		-
	21,000		16,263		8,093		3056		14,125		88,041
	-		-		-		-		-		-
	463,532		194,729		441,338		-		-		-
	-		-		-		-		-		-
	(2,232,369)		(1,247,859)		(1,282,318)		(652,385)		(2,004,806)		(6,742,192)
	(1,747,837)		(1,036,867)		(832,887)		(649,329)		(1,990,681)		(6,654,151)
	21,312,209		22,344,308		22,747,985		23,691,147		26,697,665		31,414,722
	(1,437,480)		12,956,421		21,931,106		9,334,947		16,797,769		32,801,083
	519,387		23,695		74,647		1,335,773		3,249,558		(712,603)
\$	(918,093)	\$	12,980,116	\$	22,005,753	\$	10,670,720	\$	20,047,327	\$	32,088,480

**CITY OF THE COLONY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved for:				
Encumbrances	\$ 151,818	\$ 303,401	\$ 128,959	\$ 152,211
Unreserved- designated for	-	-	-	-
Hidden Cove Park	392,000	140,000	165,000	156,000
Unreserved and undesignated	5,478,517	6,252,576	6,445,698	6,771,098
Restricted for capital projects	-	-	-	-
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
Total general fund	\$ 6,022,335	\$ 6,695,977	\$ 6,739,657	\$ 7,079,309
All Other Governmental Funds				
Reserved for:				
Encumbrances	\$ 9,814	\$ 141,193	\$ 97,326	\$ 83,971
Capital Projects	12,187,996	7,437,260	2,832,183	32,766,218
Debt Service	965,997	1,123,924	1,301,247	1,592,932
Court security and technology	302,728	352,660	288,755	328,436
Unreserved and undesignated	452,916	740,965	393,979	584,000
Restricted for:				
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Other	-	-	-	-
Committed	-	-	-	-
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	\$ 13,919,451	\$ 9,796,002	\$ 4,913,490	\$ 35,355,557

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB Statement No. 54, which impacted both the classifications of funds and classifications of balances within the funds, in 2011.

TABLE 3

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	367,397	367,397	367,397
-	112,876	99,785	87,434	109,169	284,122
7,904,478	7,407,174	8,307,886	10,458,525	12,622,396	13,275,540
<u>\$ 7,904,478</u>	<u>\$ 7,520,050</u>	<u>\$ 8,407,671</u>	<u>\$ 10,913,356</u>	<u>\$ 13,098,962</u>	<u>\$ 13,927,059</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,856,420	30,118,151	38,356,081	12,241,468	3,284,839	790,306
1,328,743	616,551	491,954	650,022	1,390,478	1,922,262
873,735	901,645	915,493	1,014,418	801,546	1,261,149
480,430	268,589	422,302	4,208,038	5,566,517	10,688,119
-	-	-	-	-	5,565
(152,544)	-	-	-	(1,230,851)	-
<u>\$ 22,386,784</u>	<u>\$ 31,904,936</u>	<u>\$ 40,185,830</u>	<u>\$ 18,113,946</u>	<u>\$ 9,812,529</u>	<u>\$ 14,667,401</u>

**CITY OF THE COLONY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Ad valorem taxes, penalties and interest	\$ 12,774,562	\$ 14,366,969	\$ 14,907,953	\$ 14,835,935
Franchise taxes	1,939,565	1,807,584	2,049,184	2,024,933
Municipal sales tax	2,880,852	3,055,468	3,096,768	3,118,514
Licenses and permits	1,231,961	2,093,887	1,605,611	1,137,189
Charges for services	1,011,419	1,031,277	1,073,813	1,105,877
Fines and forfeitures	1,238,791	1,205,663	1,051,424	1,055,261
Grants	254,565	284,543	319,275	350,595
Gifts and contributions	1,360,241	2,177,447	1,661,870	1,763,040
Hotel / motel taxes	141,496	125,573	129,444	282,798
Recreation fees	7,840	-	-	-
Capital recovery fees	2,293,141	4,384,262	2,984,691	23,444,825
Interest earned	842,023	722,799	293,179	39,690
Miscellaneous	628,015	568,042	883,425	1,056,634
Total revenues	26,604,471	31,823,514	30,056,637	50,215,291
EXPENDITURES				
Current				
General government	4,764,536	5,199,183	5,372,394	5,259,315
Public safety	9,175,863	10,190,968	11,189,360	13,970,748
Public works	3,428,083	2,890,446	4,426,316	5,100,959
Cultural and recreation	3,627,643	3,658,082	3,876,561	4,367,343
Fleet replacement				
Economic development				
Capital Outlay	7,105,135	10,199,487	6,632,542	734,486
Debt Service:				
Principal retirement	2,457,656	2,981,100	3,106,100	3,301,150
Interest and fiscal charges	2,185,797	2,251,494	2,121,938	1,944,886
Other debt service costs	-	-	-	380,436
Total expenditures	32,744,713	37,370,760	36,725,211	35,059,323
Excess (deficiency) of revenues over (under) expenditures	(6,140,242)	(5,547,246)	(6,668,574)	15,155,968
OTHER FINANCING SOURCES (USES)				
Issuance of debt	7,145,000	8,115,000	-	12,725,000
Issuance of refunding debt	-	-	-	4,750,000
Payment of escrow for refunding debt	-	(6,357,600)	-	(5,039,202)
Premium on issuance of debt	256,085	57,792	-	894,364
Proceeds from sale of capital assets	-	-	-	-
Transfers from other funds	4,750,300	4,126,170	3,918,514	3,918,968
Transfers to other funds	(2,293,709)	(3,843,923)	(2,088,915)	(1,623,379)
Total other financing sources (uses)	9,857,676	2,097,439	1,829,599	15,625,751
NET CHANGE IN FUND BALANCES	\$ 3,717,434	\$ (3,449,807)	\$ (4,838,975)	\$ 30,781,719
Debt service as a percentage of noncapital expenditures	18.1%	19.3%	17.4%	16.4%

Source: Comprehensive Annual Financial Report

TABLE 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 14,979,835	\$ 15,002,544	\$ 14,935,642	\$ 15,487,211	\$ 17,708,151	\$ 21,257,383
2,199,253	2,266,213	2,205,461	2,415,524	2,672,475	2,527,792
3,435,175	3,655,111	4,098,458	4,452,674	5,294,228	5,736,997
1,350,128	1,382,069	1,820,291	2,548,914	4,076,413	3,113,013
1,172,459	998,347	1,249,298	1,308,917	1,248,868	4,150,248
1,348,594	1,161,226	1,269,844	1,343,051	1,040,696	870,181
166,116	232,186	465,057	309,622	326,685	316,672
1,713,597	1,899,880	2,175,919	2,700,591	5,881,783	3,252,323
371,056	370,798	425,177	473,473	525,449	668,011
-	-	-	-	-	-
1,477,503	14,574,876	21,519,655	6,712,194	1,090,071	2,518,123
76,193	50,088	43,567	19,516	19,660	102,126
1,046,066	837,860	501,649	706,755	770,156	792,311
<u>29,335,975</u>	<u>42,431,198</u>	<u>50,710,018</u>	<u>38,478,442</u>	<u>40,654,635</u>	<u>45,305,180</u>
5,242,015	4,068,715	4,264,620	3,956,996	4,738,905	7,739,892
17,507,678	12,277,603	12,374,865	12,797,691	13,950,864	15,162,864
9,870,654	7,156,968	2,001,302	2,181,484	3,204,557	3,480,223
4,746,425	4,561,579	4,155,473	4,233,864	4,435,393	4,473,519
383,637	109,838	16,283,998	30,700,864	20,723,176	9,801,947
3,415,254	4,434,919	4,195,250	4,066,150	4,255,146	3,985,693
2,555,585	2,245,051	1,550,643	1,647,599	1,638,941	1,485,036
111,541	140,574	117,838	25,169	55,015	272,250
<u>43,832,789</u>	<u>34,995,247</u>	<u>44,943,989</u>	<u>59,609,817</u>	<u>53,001,997</u>	<u>46,401,424</u>
(14,496,814)	7,435,951	5,766,029	(21,131,375)	(12,347,362)	(1,096,244)
-	-	2,073,533	-	3,040,800	-
5,728,800	6,056,900	2,795,693	-	-	9,023,150
(5,971,643)	(6,076,552)	(3,120,000)	-	-	(9,623,402)
363,684	160,226	370,942	-	250,945	637,273
-	-	-	-	935,000	-
4,317,840	7,190,015	2,754,588	3,718,125	5,277,829	14,488,155
<u>(2,085,471)</u>	<u>(5,632,816)</u>	<u>(1,472,270)</u>	<u>(2,153,219)</u>	<u>(3,273,023)</u>	<u>(7,745,963)</u>
<u>2,353,210</u>	<u>1,697,773</u>	<u>3,402,486</u>	<u>1,564,906</u>	<u>6,231,551</u>	<u>6,779,213</u>
<u>\$ (12,143,604)</u>	<u>\$ 9,133,724</u>	<u>\$ 9,168,515</u>	<u>\$ (19,566,469)</u>	<u>\$ (6,115,811)</u>	<u>\$ 5,682,969</u>
14.0%	19.6%	20.6%	19.8%	17.8%	15.6%

TABLE 5

**CITY OF THE COLONY, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farm Property	Less: Tax Exempt Property	Total Taxable Assessed Value^a	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value^b as a Percentage of Actual Value
2007	1,428,465,087	449,127,821	280,938	69,801,485	1,808,072,361	\$0.71500	1,808,072,361	100.00%
2008	1,492,394,571	513,602,494	250,465	77,255,808	1,928,991,722	\$0.69750	1,928,991,722	100.00%
2009	1,522,142,530	611,399,792	209,972	78,053,258	2,055,699,036	\$0.69000	2,055,699,036	100.00%
2010	1,560,226,270	687,641,850	159,840,111	261,431,780	2,146,276,451	\$0.68800	2,146,276,451	100.00%
2011	1,569,607,583	632,696,025	150,073,277	257,990,301	2,094,386,584	\$0.68550	2,094,386,584	100.00%
2012	1,601,232,947	665,867,076	151,296,903	262,401,818	2,155,995,108	\$0.68300	2,155,995,108	100.00%
2013	1,570,595,410	725,097,869	119,916,725	235,621,588	2,179,988,416	\$0.68000	2,179,988,416	100.00%
2014	1,639,008,480	850,183,936	97,622,211	279,763,849	2,307,050,778	\$0.67750	2,307,050,778	100.00%
2015	1,825,181,743	1,096,166,239	99,116,629	395,343,379	2,625,121,232	\$0.67250	2,625,121,232	100.00%
2016	2,049,580,033	1,366,491,362	80,496,674	396,069,625	3,100,498,444	\$0.67000	3,100,498,444	100.00%

Source: City of The Colony Budget Document
 Denton Central Appraisal District

Note: The County assesses property at 100% of its market value. Tax rates are per \$100 of assessed value.

^a Includes adjustments to certified rolls.

^b Includes tax exempt property.

TABLE 6

**CITY OF THE COLONY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	City Direct Rates			Overlapping Rates	
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Lewisville Independent School District	Denton County
2007	0.49401	0.22099	0.71500	1.640	0.23192
2008	0.48750	0.21000	0.69750	1.370	0.23589
2009	0.48928	0.20072	0.69000	1.380	0.23577
2010	0.49158	0.19642	0.68800	1.409	0.24980
2011	0.49166	0.19384	0.68550	1.427	0.27390
2012	0.47997	0.20303	0.68300	1.426	0.27736
2013	0.46026	0.21974	0.68000	1.453	0.28287
2014	0.45902	0.21848	0.67750	1.477	0.28491
2015	0.47634	0.19616	0.67250	1.477	0.27220
2016	0.51036	0.15964	0.67000	1.420	0.26200

Source: Lewisville ISD and Denton County.

**CITY OF THE COLONY, TEXAS
PRINCIPAL TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)**

Taxpayer	2016		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value^a
TXFM Inc	\$ 135,000,000	1	4.35%
Nebraska Furniture Mart	89,769,591	2	2.90%
Austin Ranch Phase VI Investors LLC	65,851,000	3	2.12%
AR No. 5, LLC	54,005,413	4	1.74%
The Residences of Austin Ranch No. 4 M LLC	53,950,000	5	1.74%
AR Phase 1 LLC	52,000,000	6	1.68%
The Residences of Austin Ranch No. 3 M LLC	47,852,634	7	1.54%
AR Phase 2 LLC	45,801,000	8	1.48%
Somerset Land Ltd	45,764,664	9	1.48%
The Residences of Austin Ranch Ph 1	-	10	-
The Residences of Austin Ranch Ph II	-		-
The Residences of Austin Ranch Ph IV	-		-
The Residences of Austin Ranch Ph III	-		-
VR Estancia Holdings LP	29,789,583		0.96%
Wal-Mart Stores #01-0426	-		-
Bristol Oaks Apartments P/S II LP	-		-
TXU Electric Delivery Co.			
Home Depot USA, Inc.			
Wynnwood Peninsula Ltd P/S	-		-
	<u>\$ 619,783,885</u>		<u>19.99%</u>

Source: City of The Colony Budget Document and the Denton Central Appraisal District.

Note: ^a Taxpayers are assessed on January 1, 2015 (2015 tax year) for the 2016 fiscal year.

TABLE 7

2007		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value^a
\$ 34,290,658	1	1.90%
33,486,281	2	1.85%
31,851,491	3	1.76%
29,061,612	4	1.61%
23,023,555	5	1.27%
20,618,769	6	1.14%
16,071,730	7	0.89%
11,768,150	8	0.65%
12,086,723	9	0.67%
7,779,122	10	0.43%
\$ 220,038,091		12.17%

TABLE 8

**CITY OF THE COLONY, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	13,390,390	13,270,624	99.11%	156,959	13,427,583	100.28%
2008	13,953,264	13,664,674	97.93%	293,432	13,958,106	100.03%
2009	14,429,083	14,198,198	98.40%	312,506	14,510,704	100.57%
2010	14,712,417	14,381,516	97.75%	234,240	14,615,756	99.34%
2011	14,357,020	14,170,540	98.70%	295,778	14,466,318	100.76%
2012	14,725,447	14,671,313	99.63%	-	14,671,313	99.63%
2013	14,749,221	14,770,162	100.14%	225,340	14,995,502	101.67%
2014	15,630,270	15,648,851	100.12%	56,388	15,705,239	100.48%
2015	17,653,942	17,741,878	100.50%	402,767	18,144,645	102.78%
2016	20,773,340	21,051,346	101.34%	295,648	21,346,994	102.76%

Source: Denton County Tax Assessor and Collector

TABLE 9

**CITY OF THE COLONY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations			
2007	15,103,742	34,751,340	-	22,875,000	26,903,660	99,633,742	8.83%	2,595
2008	15,040,000	31,269,761	-	21,445,000	26,544,760	94,299,521	6.42%	2,366
2009	14,420,000	28,784,840	-	20,000,000	26,170,860	89,375,700	6.12%	2,229
2010	18,215,000	34,450,254	-	18,810,000	29,292,011	100,767,265	6.32%	2,254
2011	22,603,800	26,650,000	-	17,565,000	28,159,259	94,978,059	6.48%	2,083
2012	23,505,550	24,097,222	-	14,545,000	-	62,147,772	4.05%	1,360
2013	23,778,250	21,256,051	-	990,000	38,840,699	84,865,000	5.17%	1,835
2014	21,585,733	19,320,803	-	-	39,107,883	80,014,419	2.41%	1,778
2015	18,087,560	19,947,850	849,154	-	52,177,845	91,062,409	2.26%	2,024
2016	19,344,210	14,765,000	767,611	-	59,333,395	94,210,216	2.32%	2,155

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

^aSee Table 14 for personal income and population data.

TABLE 10

**CITY OF THE COLONY, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	Governmental Activities		Business-Type Activities		Total	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	General Obligation Bonds	Certificates of Obligation			
2007	\$ 15,103,742	\$ 34,751,340	22,875,000	26,903,660	\$ 99,633,742	5.51%	\$ 2,595
2008	15,040,000	31,269,761	21,445,000	26,544,760	94,299,521	4.89%	2,366
2009	14,420,000	28,784,840	20,000,000	26,170,860	89,375,700	4.35%	2,229
2010	18,215,000	34,450,254	18,810,000	29,292,011	100,767,265	4.69%	2,254
2011	22,603,800	26,650,000	1,846,200	26,313,059	77,413,059	3.70%	1,698
2012	23,505,550	24,097,222	3,879,500	24,997,778	76,480,050	3.55%	1,674
2013	23,778,250	21,256,051	15,071,750	23,768,949	83,875,000	3.85%	1,814
2014	21,585,733	19,320,803	26,773,235	9,568,200	77,247,971	3.35%	1,717
2015	18,087,560	19,947,850	25,275,445	18,087,560	81,398,415	3.10%	1,809
2016	19,344,210	14,765,000	26,868,145	32,465,250	93,442,605	3.07%	2,155

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

^aSee Table 5 for property value data.

^bSee Table 14 for population data.

TABLE 11

**CITY OF THE COLONY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.715	0.698	0.690	0.688	0.686	0.683	0.680	0.678	0.6725	0.6700
Available Tax Rate	\$ 1.79	\$ 1.80	\$ 1.81	\$ 1.81	\$ 1.81	\$ 1.82	\$ 1.82	\$ 1.82	\$ 1.83	\$ 1.83

Note: The City Charter of the City of The Colony, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

TABLE 12

**CITY OF THE COLONY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL
ACTIVITIES DEBT
SEPTEMBER 30, 2016 (UNAUDITED)**

<u>Governmental Unit</u>	<u>Gross Bonded Debt</u>	<u>Estimated Percentage Applicable^a</u>	<u>The Colony Share of Overlapping Debt</u>
Lewisville I.S.D.	\$ 1,240,974,968	12.23%	\$ 151,771,239
Little Elm I.S.D.	145,656,365	5.33%	7,763,484
Denton County	608,895,000	1.70%	10,351,215
	1,995,526,333		169,885,938
City of The Colony (direct debt)	<u>94,210,216</u>	100.00%	<u>94,210,216</u>
Total direct and overlapping debt	<u>\$ 2,089,736,549</u>		<u>\$ 264,096,154</u>

Source: Assessed value data used to estimate applicable percentages provided by Denton Central Appraisal District. Debt outstanding data provided by each governmental unit.

^a The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

TABLE 13

**CITY OF THE COLONY, TEXAS
PLEGDED-REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)**

Water and Sewer System Revenue Bonds					
Fiscal Year	Total Revenues^a	Less: Operating Expenses^b	Net Available Revenue	Annual Requirement^c	Times Coverage
2007	13,608,712	7,074,256	6,534,456	4,412,163	1.48
2008	14,199,852	7,990,876	6,208,976	4,012,879	1.55
2009	14,268,870	7,971,554	6,297,316	3,914,859	1.61
2010	13,796,686	7,963,716	5,832,970	4,416,029	1.32
2011	14,989,707	8,139,958	6,849,749	4,721,414	1.45
2012	13,925,260	8,660,247	5,265,013	4,265,022	1.23
2013	14,800,804	9,425,182	5,375,622	4,588,214	1.17
2014	15,013,195	9,871,033	5,142,162	1,795,023	2.86
2015	16,676,674	10,358,961	6,317,713	1,865,816	3.39
2016	16,354,249	11,636,866	4,717,383	2,840,353	1.66

Note: ^a Includes operating and non-operating revenues.

^b Includes operating expenses minus depreciation.

^c Includes Principal and Interest.

TABLE 14

**CITY OF THE COLONY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS (UNAUDITED)**

Year	Estimated Population^a	Personal Income	Per Capita Personal Income^b	Median Age^b	Median Household Income^b	School Enrollment^c	Unemployment Rate^d
2007	38,400	1,128,691,200	29,393	32	80,827	6,703	4.0%
2008	39,850	1,469,428,900	36,874	33	88,804	6,584	4.8%
2009	40,100	1,460,843,000	36,430	33	90,162	6,536	7.7%
2010	44,704	1,594,189,344	35,661	33	92,104	6,476	7.1%
2011	45,600	1,466,450,400	32,159	30	62,738	6,435	7.8%
2012	45,700	1,535,657,100	33,603	33	76,663	6,472	7.0%
2013	46,248	1,639,954,080	35,460	30	62,738	6,688	7.0%
2014	45,000	3,322,890,000	73,842	33	73,842	6,714	5.5%
2015	45,000	4,035,285,000	89,673	35	74,162	6,739	3.2%
2016	44,228	4,116,565,328	93,076	35.5	93,076	6,718	3.5%

Sources: ^a Estimated Population - City of The Colony

^b Per Capital Income, Median Age & Median Household Income - Community Sourcebook of ZIP Code Demographics

^c School enrollment - Texas Education Agency

^d Unemployment - Texas Workforce Commission

Note: Personal income is calculated by multiplying estimated population by per capita personal income.

TABLE 15

**CITY OF THE COLONY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND FIVE YEARS AGO (UNAUDITED)**

Employer	2016			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Nebraska Furniture Mart	1,800	1	7.64%			
Lewisville ISD	690	2	2.93%	722	1	N/A
Top Golf	450	3	1.91%			
Wal-Mart	353	4	1.50%	356	3	N/A
City of The Colony	328	5	1.39%	425	2	N/A
Hawaiian Falls	230	6	0.98%	250	4	N/A
Williams-Sonoma	170	7	0.72%			
Quest Resource Mgmt	120	8	0.51%			N/A
Home Depot	112	9	0.48%	115	5	N/A
Edward Don	100	10	0.42%	105	6	N/A
Texas Roadhouse	-		-	103	7	N/A
The Tribute	-		-	90	8	N/A
Kroger				88	9	
Austin Ranch	-		-	47	10	N/A
	<u>4,353</u>		<u>18.47%</u>	<u>2,301</u>		

Source: City of The Colony Economic Development Corporation

Note: Data for 2007 was not available at the time.

TABLE 16

**CITY OF THE COLONY, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT
 EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS (UNAUDITED)**

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	31	30	30	29	33	43	43	44	30	31
Public safety	120	133	133	138	140	140	140	141	142	151
Public works	40	40	48	48	47	37	37	36	42	45
Culture and recreation	33	34	34	70	38	38	38	39	38	38
Water/wastewater/ Utilities	49	52	44	42	28	28	28	28	37	37
Total	273	289	289	327	286	286	286	288	289	302

Sources: City of The Colony Budget Document



**CITY OF THE COLONY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)**

Function/Program	Fiscal Year			
	2007	2008	2009	2010
Police				
Number of police officers	53	53	53	53
Number of violations (citations)	13,451	11,129	10,521	10,386
Municipal Court				
Number of traffic cases	13,126	11,927	10,743	9,480
Number of city ordinance cases	693	626	480	520
Fire				
Number of fire fighters	39	47	49	49
Number of emergency fire responses	410	418	487	581
Number of medical emergencies	1,581	1,548	1,657	1,831
Development Services				
Total number of building permits ^a	126	2,093	2,191	206
Estimated valuation ^a	\$ 44,399,931	\$144,948,333	\$ 97,973,276	\$ 43,743,748
Parks and Recreation				
Number of acres	983	983	983	983
Number of recreation center participants	73,031	73,031	34,633	33,589
Library				
Volumes in collection ^b	97,727	91,468	86,994	81,659
Number of library cardholders	19,088	19,186	19,450	16,960
Water and wastewater				
Number of water accounts	11,317	11,467	11,686	11,723
Average daily water consumption (millions of gallons)	3.75	4.30	3.84	3.86
Average daily effluent (millions of gallons)	2.35	2.34	3.84	2.28

Sources: City Departments

Notes: ^a Includes residential and commercial permits

^b Includes books and media.

TABLE 17

Fiscal Year					
2011	2012	2013	2014	2015	2016
53	53	53	53	58	60
13,935	11,619	11,619	12,839	5,932	5,109
13,460	11,532	11,532	12,980	6,979	5,298
492	467	467	327	404	226
52	50	50	51	58	58
735	568	568	720	864	864
1,926	1,774	1,774	1,856	2,127	2,127
2,042	2,508	2,508	3,982	272	277
\$ 80,964,772	\$ 59,077,321	\$ 59,077,321	\$198,981,751	\$ 173,859,498	\$127,234,464
983	983	983	983	983	983
39,166	43,083	43,083	43,083	50,654	52,424
85,129	89,385	89,385	111,077	115,256	117,538
19,479	20,453	20,453	19,175	18,498	18,042
11,661	11,881	11,881	12,213	12,532	12,893
4.50	4.57	4.57	4.28	4.70	4.97
2.16	2.34	2.34	2.89	2.82	2.74

TABLE 18

**CITY OF THE COLONY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)**

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Fire Stations	2	2	3	3	3	3	3	3	3	3
Police Stations	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks and Recreation										
Number of parks	27	27	27	27	27	27	27	27	27	27
Number of baseball diamonds	11	11	11	11	11	11	11	11	11	11
Number of soccer/football fields	16	16	16	16	16	16	16	16	16	16
Public swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Water and wastewater										
Water mains (miles)	175	177	177	179	193	197	197	209	212	216
Sanitary sewer mains (miles)	202	203	203	206	206	207	207	207	210	213
Fire hydrants	1,305	1,333	1,339	1,367	1,391	1,420	1,420	1,536	1,637	1,680

Sources: City Departments

Notes: ^a Includes residential and commercial permits

^b Includes books and media.

