

CITY OF UNIVERSITY PARK, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2016

Issued by
Department of Finance

CITY OF UNIVERSITY PARK, TEXAS

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-iv
GFOA Certificate of Achievement	v
Map of University Park and Dallas County Area	vi
Organization Chart	vii
Principal Officials	viii
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Management's Discussion and Analysis	5-20
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements:	
Balance Sheet - Governmental Funds	24
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30
Notes to Financial Statements	31-68
REQUIRED SUPPLEMENTARY INFORMATION:	
Texas Municipal Retirement System Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	70
Texas Municipal Retirement System Schedule of Contributions	71
Texas Municipal Retirement System Notes to Schedule of Contributions	72
University Park Firemen's Relief and Retirement Fund Schedule of Changes in Net Pension Liability and Related Ratios	73
University Park Firemen's Relief and Retirement Fund Schedule of Contributions	74
University Park Firemen's Relief and Retirement Fund Notes to Schedule of Contributions	75
University Park Firemen's Relief and Retirement Fund Schedule of Investment Returns	76
Retiree Health Care Plan Schedule of Funding Progress	77
Budgetary Comparison Schedule - General Fund	78
Notes to Required Supplementary Information	79

OTHER SUPPLEMENTARY INFORMATION:

Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	85
Combining Statement of Net Position - Internal Service Funds	88
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds	89
Combining Statement of Cash Flows - Internal Service Funds	90

STATISTICAL SECTION (UNAUDITED)

Net Position by Component	93
Changes in Net Position	94-95
Fund Balances, Governmental Funds	96
Changes in Fund Balances, Governmental Funds	97
Assessed Value and Actual Value of Taxable Property	98
Direct and Overlapping Property Tax Rates	99
Principal Property Tax Payers	100
Property Tax Levies and Collections	101
Ratio of Outstanding Debt	102
Ratio of Net General Bonded Debt Outstanding	103
Direct and Overlapping Governmental Activities Debt	104
Pledged-Revenue Coverage	105
Legal Debt Margin Information	106
Demographic and Economic Statistics	107
Principal Employers	108
Full-Time Equivalent City Government Employees	109
Operating Indicators by Function/Program	110
Capital Asset Statistics by Function/Program	111





City of University Park
Committed to Excellence

March 30, 2017

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of University Park:

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report for the City of University Park, Texas for the fiscal year ended September 30, 2016. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report fulfills that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has 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.

Crowe Horwath LLP, Certified Public Accountants, have issued an unmodified opinion on the City of University Park's financial statements for the year ended September 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

City Profile

Incorporated in 1924, the City of University Park, Texas, is a stately residential community located five miles north of downtown Dallas, Texas. University Park is surrounded by Dallas on three sides and by Highland Park on the fourth. The City limits have been unchanged since the 1950's and encompass a land area of 3.8 square miles with an estimated population of 22,720. Home to Southern Methodist University, University Park is known for its excellent schools, fine homes and churches, and outstanding local services.

Government Structure

The City has operated under the council-manager form of government since 1989, after voter approval of a Home Rule Charter. Policy-making and legislative authority are vested in the City Council, consisting of a Mayor and four Council members. The City Council is responsible for approving ordinances, adopting the budget, appointing committees and hiring the City Manager, City Attorney, and City Judge.

Elected on an at-large, non-partisan basis, Council members serve concurrent two-year terms and are limited to three consecutive terms. The Mayor is elected to serve a two-year term and is also limited to three consecutive terms. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City Manager is responsible for carrying out the policies and implementing the ordinances of the City Council. He also oversees the day-to-day operations of the government, appoints the directors of the various departments, and prepares an annual budget.

Services Provided

The City of University Park provides a full range of municipal services, including police and fire protection, solid waste collection and disposal, street maintenance and repair, water distribution, wastewater collection, storm water control, traffic control, building inspection, park maintenance, and swimming pool operation.

Internal services of the City, accounted for on a cost reimbursement basis, are fleet services, risk management, and employee health and disability coverage.

The City is also financially accountable for three legally separate entities: the University Park Civic Foundation, Inc., the Southwest Higher Education Authority, Inc., and the Texas Higher Education Authority, Inc. Additional information on all three entities can be found in Note I.A. to the financial statements.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the goods or services are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on an accrual basis. Both governmental operations and proprietary activities are being appropriated on an annual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) reliability of financial reporting, 2) effectiveness and efficiency of operations, and 3) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that: 1) the cost of a control should

not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management.

The annual budget serves as the foundation for the City's financial planning and control. Each year the City Manager submits a proposed budget to the City Council. The Council reviews the budget and undertakes formal adoption of the budget by ordinance by September 30. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item, and are posted electronically on a monthly basis for City departmental management. Individual line items are reviewed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled on a project/sub-project basis. Revenue budgets are reviewed monthly.

Local Economy

The City of University Park enjoys a relatively stable economic environment, which is largely the result of its economic makeup, residential orientation and highly desirable location in the Dallas-Ft. Worth area. While the overall lack of commercial and industrial base means that the City relies primarily on residential property tax revenue, that reliance also affords a measure of protection from sharp swings in the business cycle. Over the past few years, the City's largest employer, Southern Methodist University, has been expanding both its footprint and prestige through new facilities such as the George W. Bush Presidential Center and the Sophomore Commons student housing area.

In FY2016, the average market value of a residential parcel in the City increased to \$1,301,591, a 9.97% increase from \$1,183,608 in FY2015. The increase in average market value was offset by a decrease in City tax levy during the year. The property tax rate was decreased from 2015 at \$0.26979 to 2016 at \$0.25893, resulting in a budgeted revenue increase of \$515,322 due to the increase in the tax base. The revenue increase allowed the City to continue providing high quality municipal services to its citizens.

Long-term Financial Planning

The City Council continues to endorse both the pay-as-you-go philosophy for infrastructure replacement, and the rolling 5-year Capital Improvements Program as formulated and approved by the Capital Projects Review Committee. The City has been debt-free since 2002.

Awards and Acknowledgements

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 University Park for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. 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.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all City employees who assisted in and contributed to the preparation of this report.

We would also like to thank the members of the City Council for their unfailing support in conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



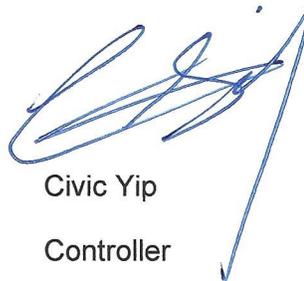
Robbie Corder

City Manager



Tom Tvardzik

Director of Finance



Civic Yip

Controller



Government Finance Officers Association

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

Presented to

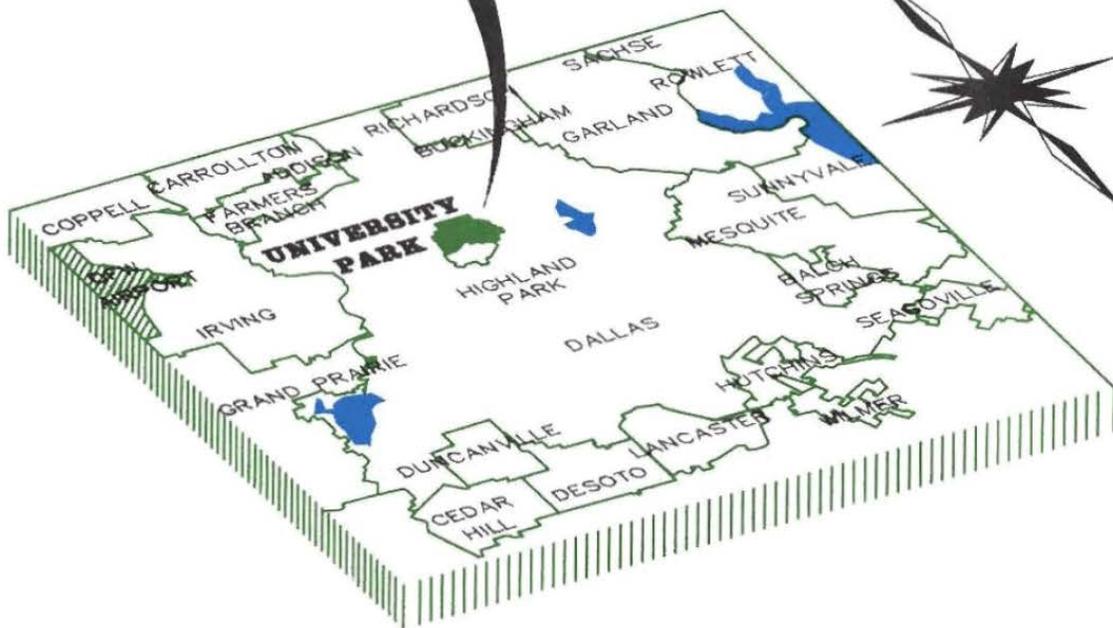
**City of University Park
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

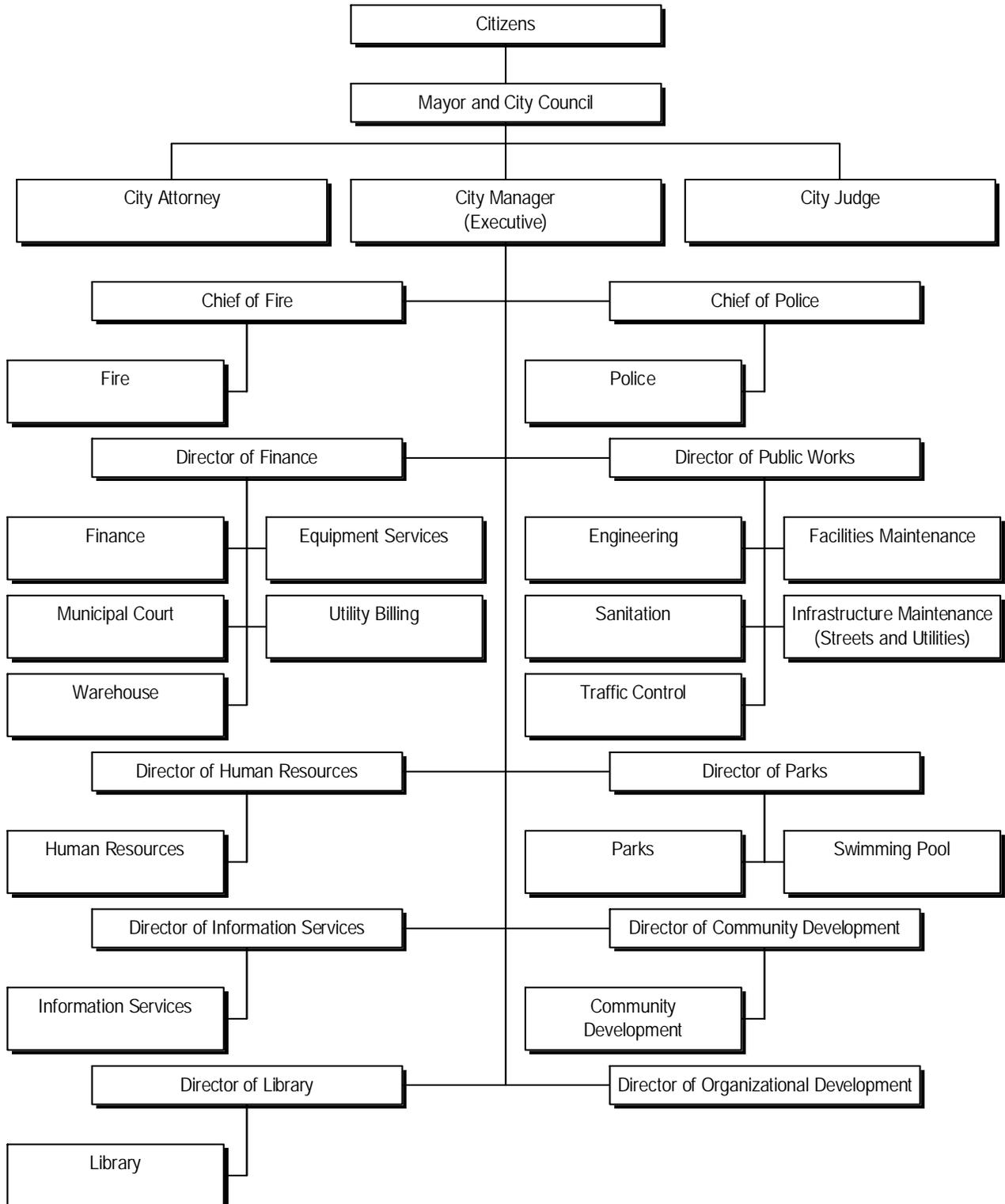
MAP OF UNIVERSITY PARK AND DALLAS COUNTY AREA





CITY OF UNIVERSITY PARK, TEXAS

Organization Chart





CITY OF UNIVERSITY PARK, TEXAS

Elected Officials

<u>Official and Title</u>	<u>First Elected</u>	<u>Term Expires</u>	<u>Professional Background</u>
Olin Burnett Lane, Jr. Mayor	2014	2018	Real Estate Developer
Dawn Moore, Mayor Pro Tempore	2012	2018	Lawyer
E. Taylor Armstrong, Jr., Council Member	2014	2018	Architect/Real Estate Broker
Randy Biddle, Council Member	2016	2018	Lawyer
Gage A. Prichard, Sr., Council Member	2016	2018	Real Estate Developer

Appointed Officials

<u>Name</u>	<u>Position</u>	<u>Year Appointed</u>
Robert L. Corder, III	City Manager	2014
Robert L. Dillard, III	City Attorney	1987
James P. Barklow, Jr.	Municipal Judge	1987
Thomas W. Tvardzik	Director of Finance	2013
Civic S. Yip	Controller	2014

Certified Public Accountants

Crowe Horwath, LLP, Dallas, Texas

Financial Advisor

First Southwest Company, Dallas, Texas



INDEPENDENT AUDITOR'S REPORT

*Honorable Mayor and Members of
The City Council
City of University Park, Texas*

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of University Park (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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of University Park, 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 6 through 20 and the Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios Last 10 Years, and Texas Municipal Retirement System Schedule of Contributions Last 10 Years, University Park Firefighters' Relief and Retirement Fund Schedule of Changes in Net Pension Liability and Related Ratios Last 10 Years, University Park Firefighters' Relief and Retirement Fund Schedule of Contributions Last 10 Years, University Park Firefighters' Relief and Retirement Fund Schedule of Investment Returns Last 10 Years, Retiree Health Care Plan, Schedule of Funding Progress and Budgetary Comparison Schedule General Fund, on pages 70, 71, 73, 74, 76, 77 and 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

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

The introductory section and statistical section 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.


Crowe Horwath LLP

Dallas, Texas
March 30, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016

As management of the City of University Park (the "City"), we offer readers of the City of University Park financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report. It should be noted that the Independent Auditors' Report describes the auditors association with the various sections of this report and that all of the additional information from the City website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$171,058,304 ("*net position*"). This number should be viewed in the context that the majority of the City's net position, \$122,114,655 (71%) is the net investment in capital assets and that capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The net restricted position totals \$294,025 and is restricted to the purpose of the particular fund that holds it. The remaining \$48,649,624 is considered unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. The City's total net position increased by \$961,434 from the prior year, as a result of operations.
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$39,053,795, a decrease of \$1,602,945 from the prior year. Of the total amount, all but \$622,861 is available for spending.
- The City's long-term liabilities increased \$4,467,625 due primarily to a significant increase in the net pension liability caused by the adoption of more conservative assumptions and an investment return that was significantly below expectations.
- The City remains debt free, and has been so since 2002.
- At the end of the current fiscal year, spendable fund balance in the general fund was \$29,773,845. Of the spendable total, \$20,750,202 is committed to other purposes, namely: Emergency Reserve \$2,500,000; SMU PILOT (Payment In Lieu Of Taxes) Reserve \$2,375,000; and SMU Land Sale Reserve \$15,875,202, while \$290,639 is assigned to various governmental activities. The remaining spendable, unassigned fund balance is \$7,130,059, an increase of \$611,034 from the prior year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of University Park's basic financial statements. The City's basic financial statements consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of University Park'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 liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016

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 soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows 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 of University Park that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public works, public safety, parks and streets and traffic control. The business-type activities of the City include water distribution, wastewater removal and solid waste collection.

The government-wide financial statements include not only the City of University Park itself (known as the *primary government*), but also a legally separate higher education authority and a legally separate private, non-profit foundation for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government should transactions occur. Although also legally separate, the University Park Civic Foundation functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found immediately following the MD&A in this report.

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: governmental funds and proprietary funds. A third type of fund, the fiduciary fund, is not utilized.

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 of University Park maintains ten 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 and the Capital Projects Fund, which are considered major funds. Data from the other eight governmental funds are combined in a single aggregated presentation. Individual fund data for each of the nonmajor governmental funds (University Park Civic Foundation, Court Security, Court Technology, Police Training and Education, Police Forfeiture, Fire

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016

Training and Education, Library, and Parks Projects and Programs) is provided in the form of combining statements.

The City of University Park adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in this report following the government-wide financial statements.

Proprietary funds. The City maintains two different types of 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, solid waste, and storm water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of University Park uses internal service funds to account for its fleet of vehicles and self-insurance program. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, solid waste operations and stormwater management. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found in this report following the basic governmental fund financial statements.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the Statement of Cash Flows – Proprietary Funds.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees as well as certain budgetary information. Required supplementary information can be found following the notes section.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. For the City of University Park, assets exceeded liabilities by \$171,058,304 as of September 30, 2016, an increase in net position of \$961,434, or 1%. The reasons for the overall increase are discussed in the following sections related to governmental activities and business-type activities.

The largest portion of the City's total net position (\$122,114,655, or 71%) is its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment and infrastructure), less any related accumulated depreciation. The City uses these capital assets to provide a variety of services to its citizens; consequently, these assets are not available for future spending, and with the exception of "business type" assets, do not generate direct revenue for the City. They do represent,

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016

however, an obligation on the part of the City to maintain these assets in good repair for the foreseeable future.

The City has no outstanding debt and funds capital asset acquisition and capital projects on a pay-as-you-go basis.

The City has \$294,025 of restricted net position, resulting from the fund balances of the Special Revenue Funds, which are nonmajor governmental funds combined under the heading "Other Governmental Funds". Due to revenue restrictions, fund balance may only be spent for the particular purpose for which the fund was created.

The remaining balance of \$48,649,624 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

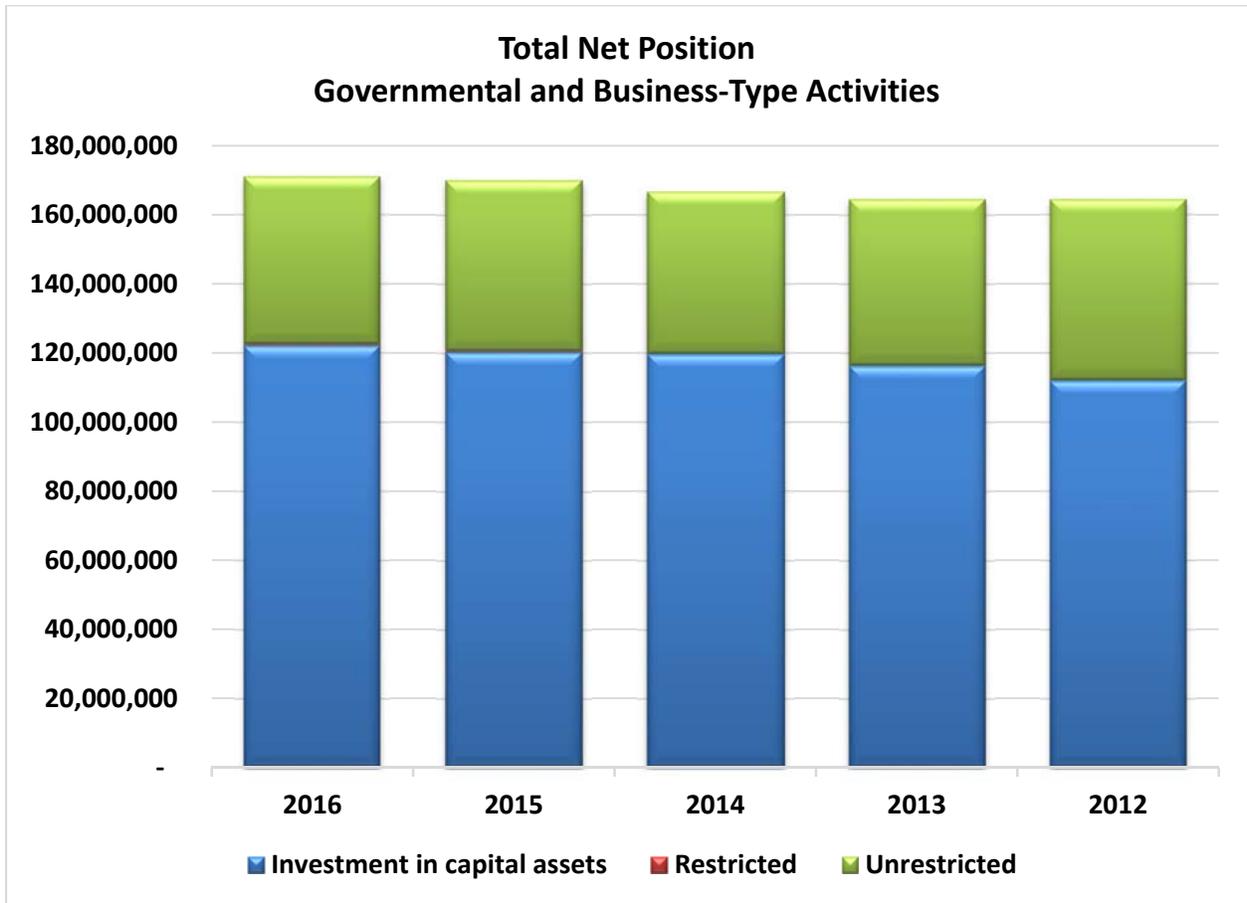
CITY OF UNIVERSITY PARK - Net Position

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 47,819,601	\$ 53,304,718	\$ 15,117,482	\$ 13,309,106	\$ 62,937,083	\$ 66,613,824
Capital assets	68,817,286	66,443,113	53,297,369	53,846,733	122,114,655	120,289,846
Total Assets	116,636,887	119,747,831	68,414,851	67,155,839	185,051,738	186,903,670
Deferred outflows of resources	6,946,504	1,987,757	1,636,531	341,895	8,583,035	2,329,652
Current liabilities	2,845,866	3,200,261	1,882,140	2,128,206	4,728,006	5,328,467
Long-term liabilities	16,799,117	13,002,521	1,043,836	372,807	17,842,953	13,375,328
Total Liabilities	19,644,983	16,202,782	2,925,976	2,501,013	22,570,959	18,703,795
Deferred inflows of resources	2,692	335,439	2,818	97,218	5,510	432,657
Net Position:						
Investment in capital assets	68,817,286	66,443,113	53,297,369	53,846,733	122,114,655	120,289,846
Restricted	294,025	229,197	-	-	294,025	229,197
Unrestricted	34,824,405	38,525,057	13,825,219	11,052,770	48,649,624	49,577,827
Total Net Position	\$ 103,935,716	\$ 105,197,367	\$ 67,122,588	\$ 64,899,503	\$ 171,058,304	\$ 170,096,870

At the end of the current fiscal year, the City is able to report positive balances in each category of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true last year.

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016



(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS
 Management's Discussion and Analysis (MD&A)
 September 30, 2016

CITY OF UNIVERSITY PARK - Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 3,979,867	\$ 4,661,188	\$ 17,899,226	\$ 17,735,018	\$ 21,879,093	\$ 22,396,206
General revenues:						
Property tax	17,530,625	16,971,682	-	-	17,530,625	16,971,682
Sales tax	4,245,822	4,229,485	-	-	4,245,822	4,229,485
Franchise fees	2,087,318	2,228,552	-	-	2,087,318	2,228,552
Interest	347,503	287,428	25,671	2,230	373,174	289,658
Other	1,368,791	1,683,344	32,190	64,441	1,400,981	1,747,785
Donations	133,524	84,614	-	-	133,524	84,614
Loss on sale of capital assets	(124,075)	-	-	(67,665)	(124,075)	(67,665)
Total Revenues	29,569,375	30,146,293	17,957,087	17,734,024	47,526,462	47,880,317
Expenses:						
General Government	6,236,918	5,577,596	-	-	6,236,918	5,577,596
Public Safety	14,562,251	13,866,937	-	-	14,562,251	13,866,937
Streets	2,022,909	2,153,362	-	-	2,022,909	2,153,362
Parks	3,867,474	3,701,838	-	-	3,867,474	3,701,838
Public Works	3,067,854	2,973,871	-	-	3,067,854	2,973,871
Utilities	-	-	13,640,627	13,293,943	13,640,627	13,293,943
Sanitation	-	-	3,098,111	2,826,506	3,098,111	2,826,506
Stormwater	-	-	68,884	92,646	68,884	92,646
Total Expenses	29,757,406	28,273,604	16,807,622	16,213,095	46,565,028	44,486,699
Increase in net position before transfers	(188,031)	1,872,689	1,149,465	1,520,929	961,434	3,393,618
Transfers	(1,073,620)	(1,556,545)	1,073,620	1,556,545	-	-
Increase/(decrease) in net position	(1,261,651)	316,144	2,223,085	3,077,474	961,434	3,393,618
Net Position - October 1	105,197,367	104,881,223	64,899,503	61,822,029	170,096,870	166,703,252
Net Position - September 30	\$ 103,935,716	\$ 105,197,367	\$ 67,122,588	\$ 64,899,503	\$ 171,058,304	\$ 170,096,870

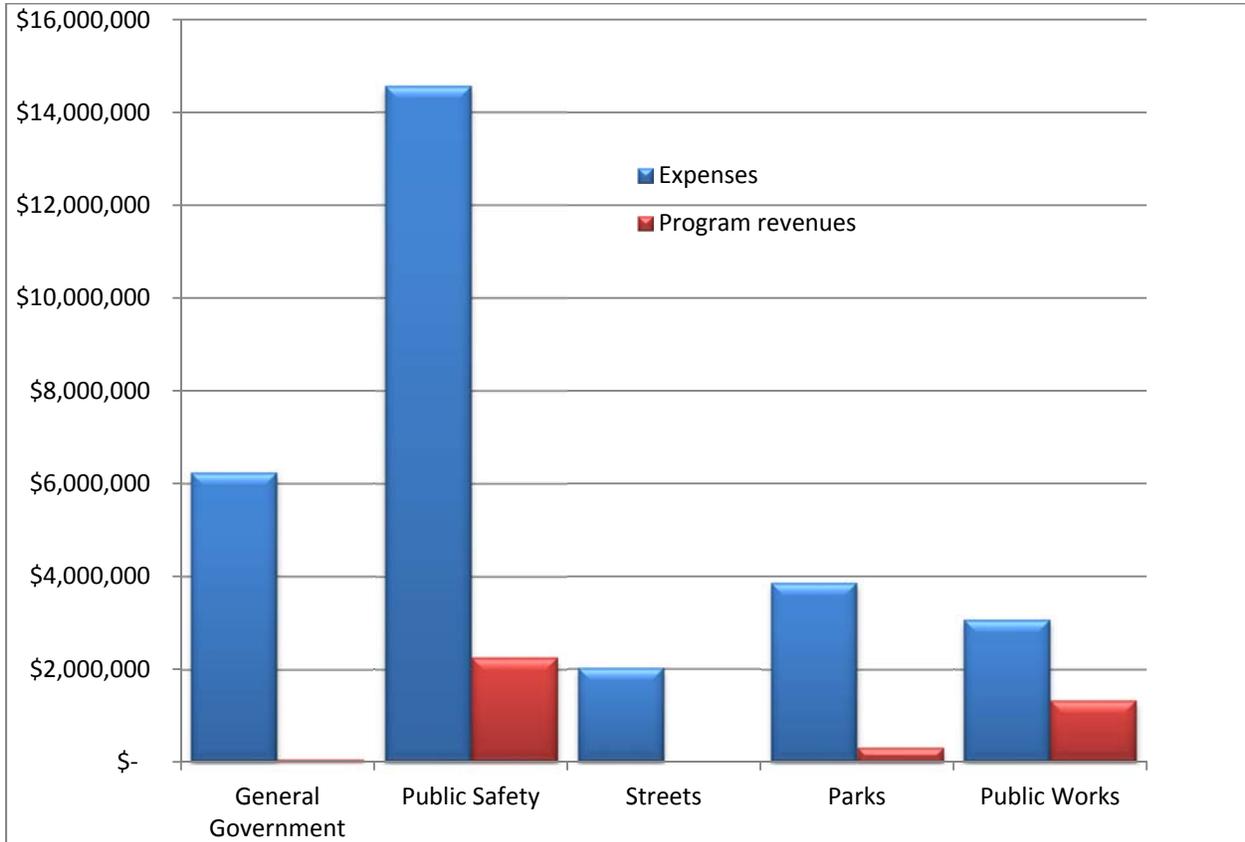
Governmental Activities

- Net position from governmental activities decreased \$1,261,651 (after transfers) to \$103,935,716.
- Revenues related to governmental activities decreased \$576,918 (-2%), from the prior year.
 - Revenue contributors in FY2016 included:
 - Property tax revenue increased \$558,943 (3%) for the year. Total certified taxable property values rose 7.6% year-over-year. While the value of the average single-family home (before applicable exemptions) climbed 7.9% from the prior year, the City tax rate decreased 4%. This combination resulted in an average tax levy increase of \$96, or 3.6% for the typical single-family homeowner.
 - Interest revenue increased \$60,075 (21%), reflecting both the “build-out” of the laddered investment strategy within the brokered certificate of deposit sector of the City investment portfolio as well as the Federal Reserve rate hike in December of 2015, which increased the earnings rates in “pooled” investments.
 - Donations ended the year at \$133,524, a 58% increase from FY2015. The increase was due almost entirely to a donation to the Parks Department, to be used during the renovation of the Holmes Aquatic Center in FY2017.

CITY OF UNIVERSITY PARK, TEXAS
 Management's Discussion and Analysis (MD&A)
 September 30, 2016

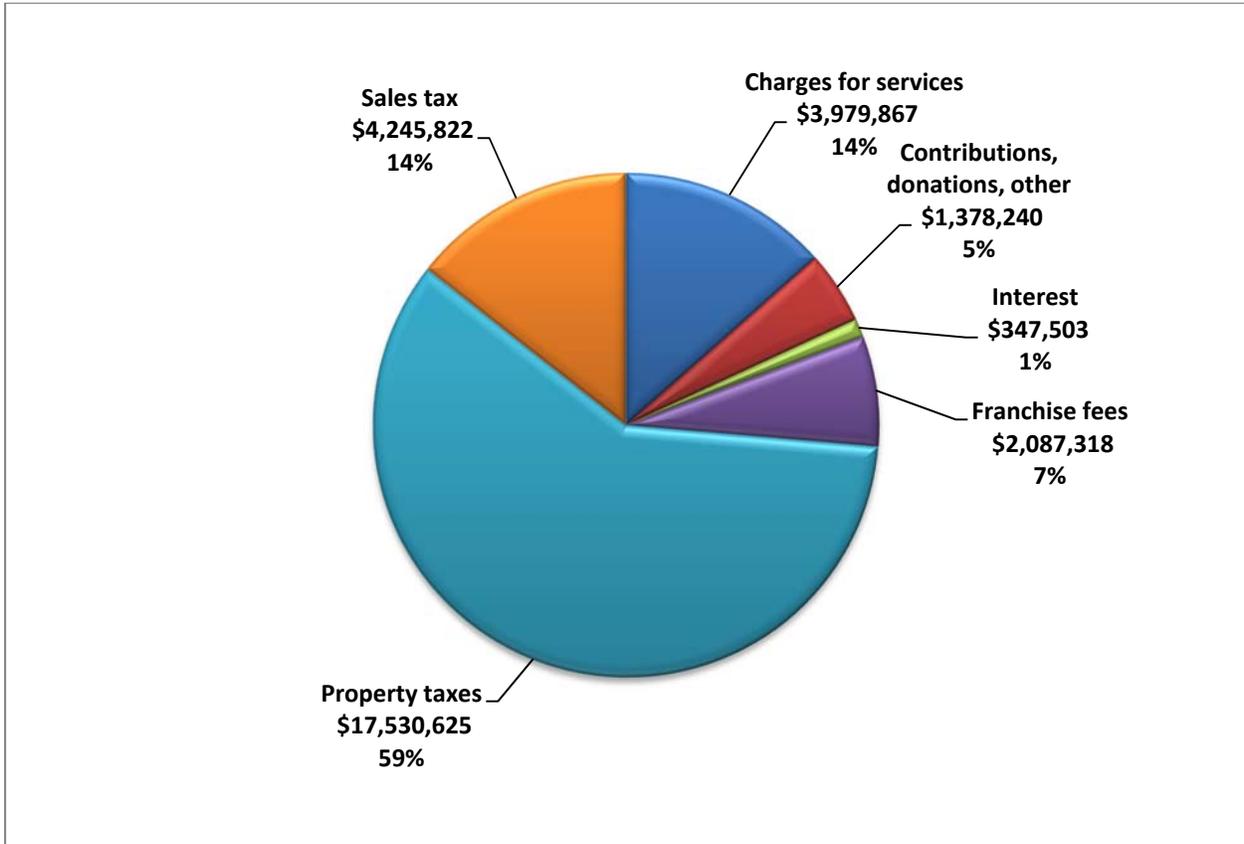
- Revenue shortfalls occurred in the following categories in FY2016:
 - Charges for service decreased \$681,321 (-15%) from FY2015, due to a reduction in building permit fees received during the year. Unlike the previous year, (which benefitted from large projects such as the YMCA) most projects during FY2016 were residential in nature.
 - Franchise fees decreased \$141,234 (-6%), due in large part to lower natural gas sales within the City in FY2016.
 - Other revenue ended FY2016 at \$1,368,791, down \$314,553 (-19%) from FY2015. Revenues received in FY2016 were comprised primarily of a contribution from the Dallas County/Park Cities Municipal Utility District intended to help defray the cost of city-wide water meter automation, a cost-support payment from the Friends of the Library, and the sale of various minor rights-of-way.
- Expenses related to governmental activities increased from the prior year, by \$1,483,802 (5%) to \$29,757,406. The increase is due to:
 - Market-based compensation adjustment for all employees,
 - Increased healthcare costs, and
 - Increased pension expense related to both the Texas Municipal Retirement System as well as the City of University Park Firefighter's Relief and Retirement Fund.

PROGRAM REVENUES AND EXPENSES – GOVERNMENTAL ACTIVITIES



CITY OF UNIVERSITY PARK, TEXAS
 Management's Discussion and Analysis (MD&A)
 September 30, 2016

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES
 (OTHER THAN PROGRAM REVENUES)



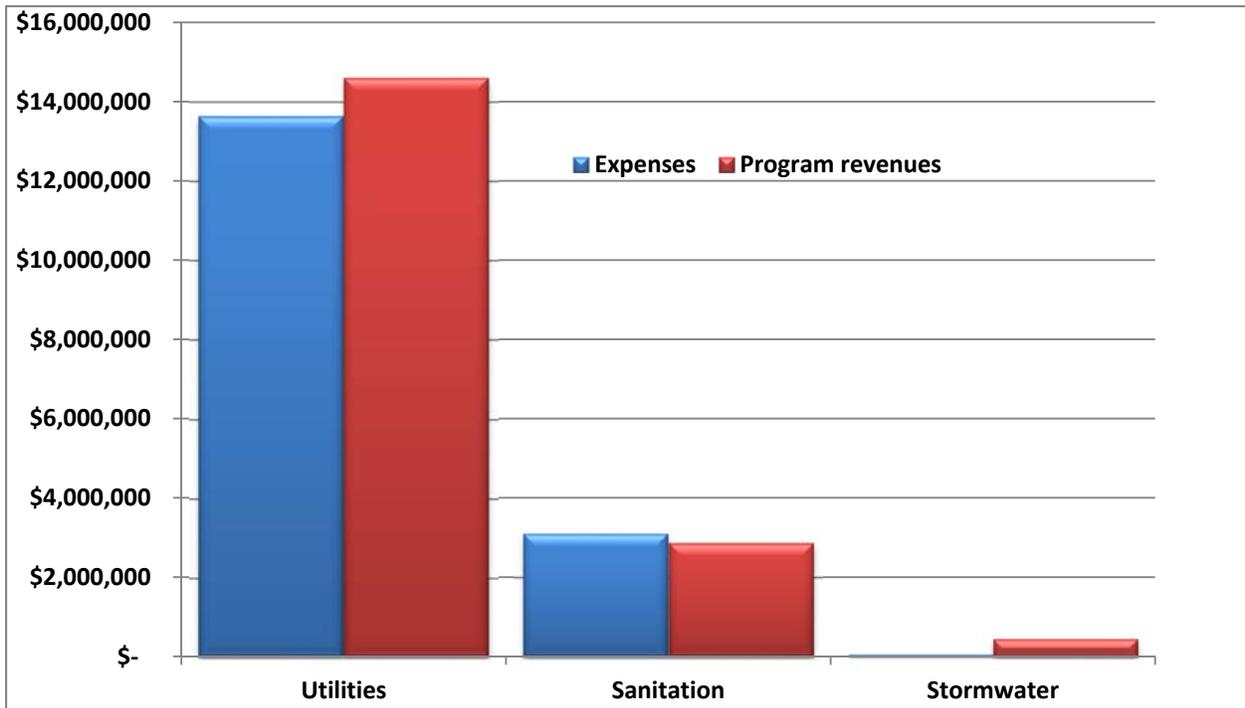
Business-type Activities:

- Net position from business-type activities increased \$2,223,085 after transfers, from \$64,899,503 to \$67,122,588.
- Revenues related to business-type activities increased \$223,063 (1%) in FY2016, due primarily to an increase in water and sanitation revenues.
 - While the water rate pricing structure remained unchanged from the prior year, a modest rate increase was included in FY2016 to keep pace with an increase in the cost of treated water provided by the Dallas County/Park Cities Municipal Water District – the City’s sole water supplier. The “conservation rate” (the rate charged for usage in excess of 30,000 gallons per month for residential purposes or 13,000,000 per month by SMU) was also increased to keep pace with the increase in costs.
 - The revenue increase in water sales was almost exactly offset by a decrease in sewer fees for the year. While the sewer rate remained the same from FY2015 to FY2016, a slight decrease in usage during the “winter averaging” months resulted in lower overall revenues.

CITY OF UNIVERSITY PARK, TEXAS
 Management's Discussion and Analysis (MD&A)
 September 30, 2016

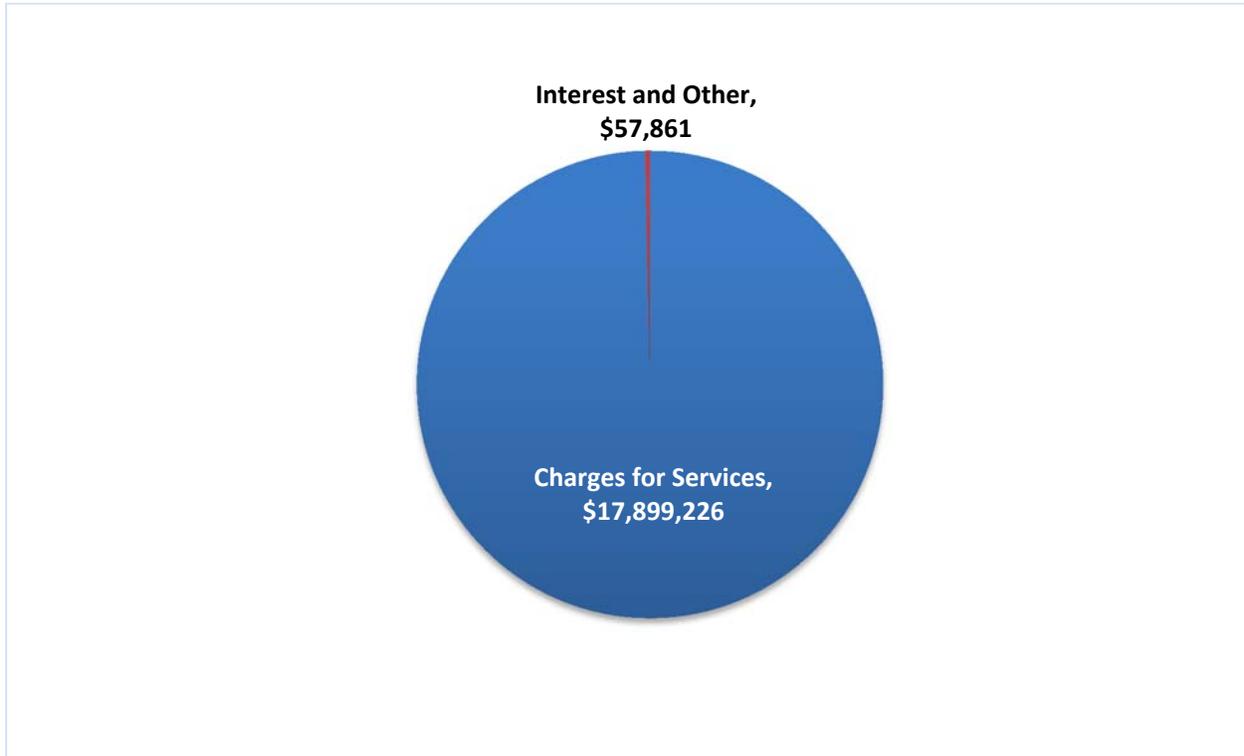
- Sanitation revenues increased from the prior year as the first phase of a two-year rate increase was implemented for residential service.
- Storm water revenues remained largely unchanged from FY2015.
- Expenses for business-type activities increased by \$594,527 (4%) in FY2016, due to the following:
 - The market-based compensation increase noted in the Governmental section above, as well as increased health care costs.
 - A new expense allocation of \$185,500 in FY2016 from the General Fund to the Utility Fund to properly allocate the fully loaded compensation costs of two Street department employees who are tasked to work solely with Utility department crews.
 - A scheduled increase in capital equipment replacement fees. The fees are charged by the Equipment Services Fund to the various user departments based on the cost of the equipment being used, and are intended to fully recover the cost of the equipment by the time it is scheduled for replacement.
 - Storm water expenses decreased \$23,762 (-26%) from FY2015, due to the discretionary nature of spending within the fund.

PROGRAM REVENUES AND EXPENSES – BUSINESS-TYPE ACTIVITIES



CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016

REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES



Financial Analysis of Governmental Funds

As noted earlier, the City of University Park 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. The City's financial statements are presented in conformity with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement changed the presentation of the fund balance section of governmental funds. Instead of classifying amounts as reserved, unreserved, designated or undesignated, the fund balance section uses the following categories:

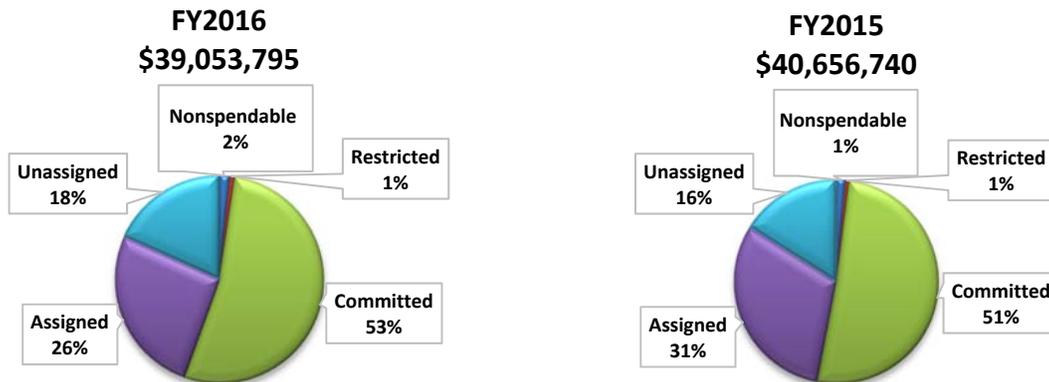
- *Nonspendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

CITY OF UNIVERSITY PARK, TEXAS
 Management's Discussion and Analysis (MD&A)
 September 30, 2016

- *Assigned fund balance*—an amount a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

**Fund Balances by Type
 Governmental Funds**



As of the end of FY2016, the City's governmental funds reported combined ending fund balances of \$39,053,795, a decrease of \$1,602,945 compared to the prior year. Of the total, \$622,861 is nonspendable, as it represents fuel and supplies inventories and \$294,025 is restricted, as it may only be spent for specific purposes as set forth by their providers.

The \$20,750,202 reported as "Committed" is governed by resolutions the City Council approved in 2009. Committed funds cannot be expended without further action by the City Council.

The \$10,256,6478 of "Assigned" funds represents year-end encumbrances (open purchase orders) among the several governmental functions/activities, as well as money intended for capital projects or derived from special revenue sources.

Finally, the "Unassigned" balance of \$7,130,059 (all of which resides within the General Fund) meets and exceeds the City's stated fund balance policy minimum, which is equal to 30 days of budgeted operating expenditures (\$2,493,576 for FY2016).

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The total net position of the Water and Sewer

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016

Fund at the end of the year amounted to \$57,052,669, while the Sanitation and Stormwater Funds totaled \$1,829,280 and \$1,487,894, respectively. Prior to transfer activity, the Water and Sewer and Storm water funds had income of \$1,003,890 and \$365,800, respectively, while the Sanitation fund had a loss of \$240,028. The loss will be addressed during FY2017, when the second year of a planned two-part rate hike takes effect for residential trash service. Additionally, commercial service fees will be addressed during FY2017.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there was no need for any significant amendments to increase budgeted appropriations. The City does not generally amend the budget for an increase in revenues. As a matter of longstanding practice, the first amendment of the fiscal year brings forward open encumbrances (purchase orders) from the previous fiscal year. By adding the amount of the encumbered items to the current year adopted budget, purchases may be completed without exceeding the current approved budget. Consequently, purchase orders open at the end of the current year are carried over to the next fiscal year. The total carried forward from fiscal 2015 was \$306,923, while the total that will be carried forward to fiscal 2017 is \$290,639.

An additional amendment was made at the end of the year to transfer non-recurring revenue received in the General Fund during the year to both the Capital Projects Fund and the Water and Sewer Fund, in the amount of \$143,475 and \$700,000, respectively.

Final budget compared to actual results. The totals in five general fund revenue categories varied more than \$125,000 from the final budget:

- Property taxes (including collections of delinquent taxes, penalties and interest) finished the year at \$17,527,721, or 99% of budget. The shortfall of \$260,365 was split 2-to-1 between collections on current taxes and those on delinquent taxes. Traditionally, the City has collected at least 98% of current year property taxes in the year of assessment.
- Sales taxes ended the year at \$4,245,822, or \$185,822 (5%) over budget. This is due in equal parts to conservative fiscal budgeting, as well as a resilient local economy. Recognizing the trend of continued robust collections, budgeted sales tax collections for FY2017 have been increased to \$4,230,000, a \$170,000 (4%) increase from FY2016.
- Permit and license revenue missed the \$1,624,000 budget by \$205,041, or 13%. The entire amount can be attributed to a \$106,204 shortfall in building permit revenue coupled with a \$100,000 increase in the line item budget for the 2016 fiscal year. The lower permit revenues reflect the lack of "big ticket" projects FY2016. FY2015 revenues (which were significantly higher than FY2016) were due in large part to significant projects undertaken by SMU (a field house, sorority house, health clinic as well as a library remodel) and the Park Cities Family YMCA (tear-down and build of new facility with underground parking garage). Prior to FY2016, the building permit budget had remained unchanged since 2008, at \$1,400,000. It was based on the historical average, adjusted for large-scale, non-recurring projects.
- Interest revenue exceeded the budgeted amount of \$150,000 by \$157,671 or 105%. This was due in large part to the success of the brokered certificate of deposit "laddering" strategy deployed in the latter half of fiscal 2015. Recognizing the positive variance, the budgeted revenue was increased by \$75,000 for FY2017 to \$225,000.
- "Other" revenue ended the year at \$1,363,697, which is \$532,697 (64%) above budget. As noted in prior years, the "Other" revenue category can be highly variable – and is thus difficult to budget.

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016

In FY2016, the two most significant items within the category were a \$700,000 contribution from the DC/PCMUD to help defray the cost of the City's automated water meter reading project, and a \$300,000 library support contribution from the Friends of the University Park Library.

- No function within the General Fund (General Government, Public Safety, etc.) had a negative variance to budget. While the following individual departments did go over budget, their spending was offset by other departments within the same program:
 - Executive - \$2,994 over budget, General Government function
 - Information Services - \$1,854 over budget, General Government function
 - Library - \$60,774 - over budget, General Government function

Pensions and Retiree Health Care

Pensions and retiree health care continue to receive negative attention from the media as governments of all sizes struggle to fund their commitments. The City of University Park is committed to providing programs in these areas that are fair to both the employees and taxpayers, and are sustainable over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used (including strategies for repaying any unfunded actuarial accrued liabilities) combined with the City's history of making those contributions provides insights regarding the cities commitment to the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation.

TMRS - On a reporting basis, the City's financial statements reflect a net pension liability for TMRS as of September 30, 2016 of \$3,202,019, which is 21.25% of the City's annual covered non-firefighter payroll of \$15,068,964.

FRRF - On a reporting basis, the City's financial statements reflect a net pension liability for the FRRF as of September 30, 2016 of \$12,558,847, which is 374.17% of the City's annual covered firefighter payroll of \$3,356,465.

The actuarially accrued liability for retiree health care has been calculated in accordance with GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" and can be found in the Required Supplementary Information section of this document. It is \$615,743 as of December 31, 2014, the date of the last biennial valuation. As the City follows a "pay-as-you-go" (PAYGO) funding model, this amount will likely remain in a range of 3 to 5% of covered payroll due to the limited benefit period offered to retirees. The Net Pension Obligation at September 30, 2016 is \$343,379, an increase of \$99,825 from the prior year.

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016

Capital Assets 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 \$122,114,655, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress, as illustrated in the following table:

**CITY OF UNIVERSITY PARK - Capital Assets
(net of depreciation)**

	Governmental activities		Business-type activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 7,041,359	\$ 7,041,359	\$ 108,758	\$ 108,758	\$ 7,150,117	\$ 7,150,117
Construction in progress	6,354,618	2,095,696	2,904,310	5,111,568	9,258,928	7,207,264
Buildings	12,742,962	13,183,887	-	-	12,742,962	13,183,887
Improvements	26,987,003	28,031,176	50,150,718	48,495,674	77,137,721	76,526,850
Equipment	7,043,235	7,121,103	133,583	130,733	7,176,818	7,251,836
Infrastructure	8,648,109	8,969,892	-	-	8,648,109	8,969,892
Total Capital Assets	\$ 68,817,286	\$ 66,443,113	\$ 53,297,369	\$ 53,846,733	\$122,114,655	\$120,289,846

Capital assets (net of depreciation) related to governmental activities increased by \$2,374,173 in FY2016. Significant projects completed and capitalized during the year include Preston Road landscape and lighting (\$226,775), telephone system upgrades (\$224,027) and the University Blvd. entrance portal (\$211,155).

Business-type capital assets (also net of depreciation) decreased \$549,364 fiscal 2016. Only one significant project was completed and capitalized during the year, the Douglas sewer main "mile-per-year" project, between Emerson and Lovers Lane.

Additional detailed information on the City's capital assets (including information related to capital project spending, additions and retirements) can be found in Note III. E., in the Notes to Financial Statements section of this report.

Long-term Debt. The City of University Park has no debt. The City has no plans to issue new debt.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of University Park and were considered in developing the fiscal 2017 budget:

- The total certified value of the City's taxable base increased by 8.6% during calendar 2016, due to the continued appreciation in home values since 2012. This rate is a full percentage point higher than the previous year. Before applicable exemptions, single-family home market values increased 10.3% from an average appraised value of \$1,350,219 in calendar 2015 to \$1,489,862 in calendar 2016 (the basis used to budget fiscal 2017 property tax revenues).
- University Park offers a 20% homestead exemption and an additional 25% "Over-65 and Disabled" exemption to qualifying residents. The "Over-65 and Disabled" exemption approximates 25% of

CITY OF UNIVERSITY PARK, TEXAS
Management's Discussion and Analysis (MD&A)
September 30, 2016

the prior calendar year market value of the average single-family home in the City, and amounted to \$338,000 for FY2017.

- In conjunction with the increase in property values in calendar 2016, the fiscal 2017 tax rate decreased from \$0.25893 to \$0.248761, the fourth decrease in a row. Early indications suggest property values will continue to rise throughout calendar 2017.
- While the strong local economy enhances property values, it also has positive effects on sales tax revenues. These revenues are expected to continue their upward trajectory, resulting in a \$170,000 increase to the sales tax budget for FY2017.

In preparing its fiscal year 2017 budget, City officials looked for ways to avoid significant new expenditures, while responsibly funding commitments. Although the FY2017 budget includes the addition of a new position in the Executive department - Director of Organizational Development, the headcount increase has been offset by the retirement of two other individuals within the City, leading to a net headcount decrease of one full-time employee. Additionally, City Council authorized the position for a two-year period, thereby limiting overall costs. There was no market-based compensation increase proposed for FY2017.

Capital projects funding was increased another 4% in FY2017 in recognition of the increasing costs of materials and labor in the DFW market. The FY2017 budget also includes funding to pilot an "in-house" mile-per-year project. As its name implies, the mile-per-year program seeks to replace one mile of city water mains and sewer mains each year. Given the increase in construction costs over the past few years combined with the somewhat static funding available, the program has failed to achieve its namesake goal. The pilot project will allow City administration to judge the cost efficiency of utilizing City crews for this ongoing construction program versus outside contractors.

Funding for the future replacement of fleet vehicles was again strengthened in FY2017, by incrementally increasing fund transfers as well as deferring some vehicles purchases. Finally, the City continues to explore options for a fiscally sound and sustainable path forward for the Firefighters Relief and Retirement Fund, a traditional, defined-benefit pension plan. Unchanged from FY2016, the City continues to pick up 2% of the FY2017 contribution percentage that would have otherwise been paid by the firefighters, as both parties seek a mutually agreeable solution.

Requests for Information

This financial report is designed to provide a general overview of the City of University Park's finances for all those with an interest in the government's finances. Readers having questions about any of the information in this report or needing additional information should contact Civic Yip, Controller, City of University Park, 3800 University Blvd., University Park, TX 75205, call 214-987-5310, or email cyip@uptexas.org.

(This area intentionally left blank.)

BASIC FINANCIAL STATEMENTS

CITY OF UNIVERSITY PARK, TEXAS
Statement of Net Position
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business type Activities	Total	Southwest Higher Education Authority
ASSETS				
Cash and cash equivalents	\$ 22,781,362	\$ 3,856,591	\$ 26,637,953	\$ -
Investments	25,660,833	2,007,068	27,667,901	-
Receivables	2,208,641	2,847,774	5,056,415	-
Due from primary government	-	-	-	25,000
Prepays	1,775,389	480,989	2,256,378	-
Internal balances	(5,523,510)	5,523,510	-	-
Inventory	622,861	-	622,861	-
Restricted cash	294,025	401,550	695,575	-
Capital assets:				
Nondepreciated assets				
Land	7,041,359	108,758	7,150,117	-
Construction in progress	6,354,618	2,904,310	9,258,928	-
Total nondepreciated assets	<u>13,395,977</u>	<u>3,013,068</u>	<u>16,409,045</u>	<u>-</u>
Depreciated assets				
Buildings	17,498,780	54,594	17,553,374	-
Improvements other than building:	38,425,237	88,788,717	127,213,954	-
Machinery and equipment	16,043,033	418,414	16,461,447	-
Infrastructure	12,870,590	-	12,870,590	-
Accumulated depreciation	<u>(29,416,331)</u>	<u>(38,977,424)</u>	<u>(68,393,755)</u>	<u>-</u>
Total depreciated assets	<u>55,421,309</u>	<u>50,284,301</u>	<u>105,705,610</u>	<u>-</u>
Total assets	<u>116,636,887</u>	<u>68,414,851</u>	<u>185,051,738</u>	<u>25,000</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions and investment experience	<u>6,946,504</u>	<u>1,636,531</u>	<u>8,583,035</u>	
LIABILITIES				
Accounts payable	1,085,867	458,568	1,544,435	-
Accrued liabilities	737,340	325,208	1,062,548	-
Customer deposits/other	75,470	401,550	477,020	-
Unearned revenue	-	460,989	460,989	-
Due to component unit	25,000	-	25,000	-
Net pension liability - TMRS	2,510,665	691,354	3,202,019	-
Net pension liability - FRRF	12,558,847	-	12,558,847	-
Net OPEB obligation	343,379	-	343,379	-
Compensated absences:				
Due within one year	922,189	235,825	1,158,014	-
Due beyond one year	<u>1,386,226</u>	<u>352,482</u>	<u>1,738,708</u>	<u>-</u>
Total liabilities	<u>19,644,983</u>	<u>2,925,976</u>	<u>22,570,959</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension actual experience	<u>2,692</u>	<u>2,818</u>	<u>5,510</u>	
NET POSITION				
Investment in capital assets	68,817,286	53,297,369	122,114,655	-
Restricted to:				
General government	54,436	-	54,436	-
Public Safety	150,839	-	150,839	-
Parks	88,750	-	88,750	-
Unrestricted	<u>34,824,405</u>	<u>13,825,219</u>	<u>48,649,624</u>	<u>25,000</u>
Total net position	<u>\$ 103,935,716</u>	<u>\$ 67,122,588</u>	<u>\$ 171,058,304</u>	<u>\$ 25,000</u>

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

CITY OF UNIVERSITY PARK, TEXAS
Statement of Activities

For the Year Ended September 30, 2016

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position					Component Unit Southwest Higher Education Authority
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Governmental Activities	Business type Activities	Total	
Primary government						
Governmental activities:						
General Government	\$ 6,236,918	\$ 65,914	\$ (6,171,004)	\$ -	\$ (6,171,004)	\$ -
Public Safety	14,562,251	2,259,477	(12,302,774)	-	(12,302,774)	-
Streets	2,022,909	-	(2,022,909)	-	(2,022,909)	-
Parks	3,867,474	319,968	(3,547,506)	-	(3,547,506)	-
Public Works	3,067,854	1,334,508	(1,733,346)	-	(1,733,346)	-
Total governmental activities	<u>29,757,406</u>	<u>3,979,867</u>	<u>(25,777,539)</u>	<u>-</u>	<u>(25,777,539)</u>	<u>-</u>
Business type activities:						
Utilities	13,640,627	14,605,166	-	964,539	964,539	-
Sanitation	3,098,111	2,860,758	-	(237,353)	(237,353)	-
Stormwater	68,884	433,302	-	364,418	364,418	-
Total business type activities	<u>16,807,622</u>	<u>17,899,226</u>	<u>-</u>	<u>1,091,604</u>	<u>1,091,604</u>	<u>-</u>
Total primary government	<u>\$ 46,565,028</u>	<u>\$ 21,879,093</u>	<u>(25,777,539)</u>	<u>1,091,604</u>	<u>(24,685,935)</u>	<u>-</u>
Component unit						
SWHEA	-	-	-	-	-	25,000
Total component unit	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
General revenues:						
Property tax			17,530,625	-	17,530,625	-
Sales tax			4,245,822	-	4,245,822	-
Franchise taxes			2,087,318	-	2,087,318	-
Interest			347,503	25,671	373,174	-
Other			1,368,791	32,190	1,400,981	-
Donations not restricted to specific programs			133,524	-	133,524	-
Loss on sale of capital assets			(124,075)		(124,075)	-
Transfers			(1,073,620)	1,073,620	-	-
Total general revenues and transfers			<u>24,515,888</u>	<u>1,131,481</u>	<u>25,647,369</u>	<u>-</u>
Changes in net position			(1,261,651)	2,223,085	961,434	25,000
Net position - beginning			<u>105,197,367</u>	<u>64,899,503</u>	<u>170,096,870</u>	<u>-</u>
Net position - ending			<u>\$103,935,716</u>	<u>\$67,122,588</u>	<u>\$ 171,058,304</u>	<u>\$ 25,000</u>

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

CITY OF UNIVERSITY PARK, TEXAS

**Balance Sheet
Governmental Funds**

September 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 15,916,974	\$ 4,530,899	\$ 91,847	\$ 20,539,720
Investments	22,660,675	999,724	-	23,660,399
Receivables:				
Ad valorem tax	174,782	-	-	174,782
Sales tax	780,469	-	-	780,469
Franchise fees	498,671	-	-	498,671
Accrued interest	46,270	3,290	-	49,560
Other, net	659,867	-	-	659,867
Due from other funds	2,045,431	4,987,051	204,250	7,236,732
Prepaid	12,500	-	-	12,500
Inventory	622,861	-	-	622,861
Total assets	<u>43,418,500</u>	<u>10,520,964</u>	<u>296,097</u>	<u>54,235,561</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	733,040	315,664	2,072	1,050,776
Accrued liabilities	356,473	239,291	-	595,764
Customer deposits/other	75,470	-	-	75,470
Due to other funds	13,195,019	-	-	13,195,019
Total liabilities	<u>14,360,002</u>	<u>554,955</u>	<u>2,072</u>	<u>14,917,029</u>
Deferred Inflows of Resources:				
Unavailable revenue	264,737	-	-	264,737
Total deferred inflows of resources	<u>264,737</u>	<u>-</u>	<u>-</u>	<u>264,737</u>
Fund Balances:				
Nonspendable	622,861	-	-	622,861
Spendable				
Restricted to:				
General Government	-	-	54,436	54,436
Public Safety	-	-	150,839	150,839
Parks	-	-	88,750	88,750
Committed to:				
SMU land sale	15,875,202	-	-	15,875,202
Emergency expenditures	2,500,000	-	-	2,500,000
SMU PILOT	2,375,000	-	-	2,375,000
Assigned to:				
General Government	20,528	9,966,009	-	9,986,537
Public Works	133,865	-	-	133,865
Public Safety	61,806	-	-	61,806
Parks	66,076	-	-	66,076
Streets	8,364	-	-	8,364
Unassigned	7,130,059	-	-	7,130,059
Total fund balances	<u>28,793,761</u>	<u>9,966,009</u>	<u>294,025</u>	<u>39,053,795</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 43,418,500</u>	<u>\$ 10,520,964</u>	<u>\$ 296,097</u>	<u>\$ 54,235,561</u>

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

CITY OF UNIVERSITY PARK, TEXAS
Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position

September 30, 2016

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

Total fund balances - governmental funds	\$ 39,053,795
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64,030,234
Certain receivables will be collected this year, but are not available to pay for the current period's expenditures and are, therefore, unavailable in the funds.	264,737
This amount is the net pension liability (TMRS) recorded at the government-wide level, not recorded in any governmental funds.	(2,353,685)
This amount is the net other post-employment benefits obligation (OPEB) recorded at the government-wide level, not recorded in the funds.	(343,379)
This amount is the net pension liability (FRRF) recorded at the government-wide level, not recorded in the funds.	(12,558,847)
This amount is the net deferred inflow/outflow recorded at the government-wide level, not recorded in the funds.	6,606,997
The long-term portion of compensated absences is not due and payable in the current period and therefore is not reported in the funds.	(2,065,338)
Internal service funds are used by management to charge the costs of various services to individual funds. The governmental portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>11,301,202</u>
Total net position - governmental activities	<u><u>\$ 103,935,716</u></u>

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

CITY OF UNIVERSITY PARK, TEXAS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds

For the Year Ended September 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property tax	\$ 17,527,721	\$ -	\$ -	\$ 17,527,721
Sales tax	4,245,822	-	-	4,245,822
Franchise fees	2,087,318	-	-	2,087,318
Permits and licenses	1,418,959	-	-	1,418,959
Fines	800,092	-	20,264	820,356
Charges for services	1,851,865	-	-	1,851,865
Other	1,363,697	4,961	133	1,368,791
Investment income	307,670	39,753	80	347,503
Donations	-	-	133,524	133,524
	<u>29,603,144</u>	<u>44,714</u>	<u>154,001</u>	<u>29,801,859</u>
EXPENDITURES				
Current:				
General Government	4,076,364	40,819	55,034	4,172,217
Public Safety	13,056,992	-	3,302	13,060,294
Streets	1,742,353	-	-	1,742,353
Parks	3,240,259	-	30,837	3,271,096
Public Works	2,785,712	-	-	2,785,712
Capital Outlays	-	5,299,512	-	5,299,512
	<u>24,901,680</u>	<u>5,340,331</u>	<u>89,173</u>	<u>30,331,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,701,464</u>	<u>(5,295,617)</u>	<u>64,828</u>	<u>(529,325)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,986,407	-	2,986,407
Transfers out	<u>(4,060,027)</u>	<u>-</u>	<u>-</u>	<u>(4,060,027)</u>
Total other financing sources (uses)	<u>(4,060,027)</u>	<u>2,986,407</u>	<u>-</u>	<u>(1,073,620)</u>
Net change in fund balances	641,437	(2,309,210)	64,828	(1,602,945)
Fund balances - beginning	<u>28,152,324</u>	<u>12,275,219</u>	<u>229,197</u>	<u>40,656,740</u>
Fund balances - ending	<u>\$ 28,793,761</u>	<u>\$ 9,966,009</u>	<u>\$ 294,025</u>	<u>\$ 39,053,795</u>

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

CITY OF UNIVERSITY PARK, TEXAS
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2016

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

Net change in fund balances - total governmental funds \$ (1,602,945)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, exclusive of the capital asset activity of internal service funds.

Capital expenditures	5,289,090	
Depreciation expense	(3,016,058)	
		2,273,032

Revenues in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds. (108,409)

This amount is the net effect from the sales of capital assets at the government-wide level, not recorded in the funds. (124,075)

This amount is the net TMRS pension liability recorded at the government-wide level, not recorded in the funds. (967,515)

This amount is the net other post-employment benefits obligation recorded at the government-wide level, not recorded in the funds. (99,825)

This amount is the net FRRF pension expense recorded at the government-wide level, not recorded in the funds. (831,146)

This amount is the change in the long-term portion of compensated absences, and as such, it is not reported in the funds. 43,642

Internal service funds are used by management to charge the costs of vehicle service, repair and replacement and various insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. 155,590

Change in net position of governmental activities \$ (1,261,651)

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

CITY OF UNIVERSITY PARK, TEXAS
Statement of Net Position
Proprietary Funds

September 30, 2016

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Enterprise Fund - Stormwater	Total	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,404,925	\$ -	\$ 451,666	\$ 3,856,591	\$ 2,535,667
Investments	1,007,604	999,464	-	2,007,068	2,000,434
Receivables (net of allowance)	2,404,386	385,033	58,355	2,847,774	5,292
Due from other funds	1,509,023	3,552,429	984,889	6,046,341	9,218,255
Prepays	-	45,808	-	45,808	1,762,889
Total current assets	<u>8,325,938</u>	<u>4,982,734</u>	<u>1,494,910</u>	<u>14,803,582</u>	<u>15,522,537</u>
Non-current assets					
Prepays	-	435,181	-	435,181	-
Restricted cash	401,550	-	-	401,550	-
Capital assets:					
Land	108,758	-	-	108,758	-
Buildings	54,594	-	-	54,594	-
Improvements other than buildings	88,788,717	-	-	88,788,717	-
Machinery and equipment	204,504	213,910	-	418,414	10,569,604
Construction in progress	2,904,310	-	-	2,904,310	-
Less accumulated depreciation	(38,868,410)	(109,014)	-	(38,977,424)	(5,782,552)
Total capital assets (net of accumulated depreciation)	<u>53,192,473</u>	<u>104,896</u>	<u>-</u>	<u>53,297,369</u>	<u>4,787,052</u>
Total non-current assets	<u>53,594,023</u>	<u>540,077</u>	<u>-</u>	<u>54,134,100</u>	<u>4,787,052</u>
Total assets	<u>61,919,961</u>	<u>5,522,811</u>	<u>1,494,910</u>	<u>68,937,682</u>	<u>20,309,589</u>
DEFERRED OUTFLOW OF RESOURCES					
Pension contributions and					
Investment experience	908,838	727,693	-	1,636,531	336,116
Total deferred outflow of resources	<u>908,838</u>	<u>727,693</u>	<u>-</u>	<u>1,636,531</u>	<u>336,116</u>
LIABILITIES					
Current liabilities					
Accounts payable	430,609	20,947	7,012	458,568	35,091
Accrued liabilities	282,084	43,120	4	325,208	288,120
Unearned revenue	-	45,808	-	45,808	-
Accrued compensated absences	138,173	97,652	-	235,825	42,926
Due to other funds	3,917,005	3,358,571	-	7,275,576	2,015,733
Total current liabilities	<u>4,767,871</u>	<u>3,566,098</u>	<u>7,016</u>	<u>8,340,985</u>	<u>2,381,870</u>
Non-current liabilities					
Unearned revenue	-	415,181	-	415,181	-
Net pension liability - TMRS	365,989	325,365	-	691,354	156,980
Customer deposits - payable from restricted cash	401,550	-	-	401,550	-
Accrued compensated absences	237,625	114,857	-	352,482	53,607
Total non-current liabilities	<u>1,005,164</u>	<u>855,403</u>	<u>-</u>	<u>1,860,567</u>	<u>210,587</u>
Total liabilities	<u>5,773,035</u>	<u>4,421,501</u>	<u>7,016</u>	<u>10,201,552</u>	<u>2,592,457</u>
DEFERRED INFLOW OF RESOURCES					
Pension actual experience	3,095	(277)	-	2,818	(699)
Total deferred inflow of resources	<u>3,095</u>	<u>(277)</u>	<u>-</u>	<u>2,818</u>	<u>(699)</u>
NET POSITION					
Investment in capital assets	53,192,473	104,896	-	53,297,369	4,787,052
Unrestricted	3,860,196	1,724,384	1,487,894	7,072,474	13,266,895
Total net position	<u>\$ 57,052,669</u>	<u>\$ 1,829,280</u>	<u>\$ 1,487,894</u>	<u>60,369,843</u>	<u>\$ 18,053,947</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				6,752,745	
Net position of business type activities				<u>\$ 67,122,588</u>	

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

CITY OF UNIVERSITY PARK, TEXAS
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Funds

For the Year Ended September 30, 2016

	Business type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
	Water and Sewer	Nonmajor Enterprise Fund -			
		Sanitation	Stormwater	Total	
Operating revenues					
Charges for sales and services:					
Water sales	\$ 9,451,307	\$ -	\$ -	\$ 9,451,307	\$ -
Sewer	5,153,859	-	-	5,153,859	-
Refuse collection	-	2,543,856	-	2,543,856	-
Recycling	-	316,902	-	316,902	-
Stormwater	-	-	433,302	433,302	-
Charges for service	-	-	-	-	1,744,015
Premiums	-	-	-	-	3,954,359
Other revenue	32,190	-	-	32,190	193
Total operating revenues	14,637,356	2,860,758	433,302	17,931,416	5,698,567
Operating expenses					
Personnel services	2,828,065	2,173,495	-	5,001,560	933,858
Contractual and other services	7,980,934	824,948	68,861	8,874,743	236,180
Depreciation	1,966,628	4,750	-	1,971,378	767,686
Supplies and other	211,886	101,835	23	313,744	25,679
Administrative and fiscal services	666,000	-	-	666,000	827,660
Claims paid and change in estimate	-	-	-	-	2,702,050
Total operating expenses	13,653,513	3,105,028	68,884	16,827,425	5,493,113
Operating income (loss)	983,843	(244,270)	364,418	1,103,991	205,454
Nonoperating revenues					
Investment income	20,047	4,242	1,382	25,671	16,563
Loss on sale of capital assets	-	-	-	-	(46,623)
Income (loss) before transfers	1,003,890	(240,028)	365,800	1,129,662	175,394
Tranfers					
Transfers from other funds	1,073,620	-	-	1,073,620	-
Transfers to other funds	-	-	-	-	-
Total transfers	1,073,620	-	-	1,073,620	-
Change in net position	2,077,510	(240,028)	365,800	2,203,282	175,394
Total net position - Beginning	54,975,159	2,069,308	1,122,094	58,166,561	17,878,553
Total net position - Ending	\$57,052,669	\$1,829,280	\$ 1,487,894	\$60,369,843	\$ 18,053,947
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				19,803	
Change in net position of business type activities				\$ 2,223,085	

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

CITY OF UNIVERSITY PARK, TEXAS
Statement of Cash Flows
Proprietary Funds

For the Year ended September 30, 2016

	Business type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
	Water and Sewer	Sanitation	Nonmajor Enterprise Fund - Stormwater		Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$14,711,348	\$ 2,850,283	\$ 435,866	\$17,997,497	\$ 5,698,275
Payments from other funds	295,922	1,197,932	-	1,493,854	-
Payments to other funds	-	-	(362,112)	(362,112)	4,905,761
Payments to suppliers	(8,756,237)	(928,305)	(73,754)	(9,758,296)	(5,642,452)
Payments to employees	(2,904,047)	(2,124,688)	-	(5,028,735)	(914,414)
Net cash provided by operating activities	<u>3,346,986</u>	<u>995,222</u>	<u>-</u>	<u>4,342,208</u>	<u>4,047,170</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(1,422,015)	-	-	(1,422,015)	(1,550,694)
Transfers from other funds	1,073,620	-	-	1,073,620	-
Proceeds from sale of capital assets	-	-	-	-	511,168
Net cash used in capital and related financing activities	<u>(348,395)</u>	<u>-</u>	<u>-</u>	<u>(348,395)</u>	<u>(1,039,526)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(1,007,604)	(999,464)	-	(2,007,068)	(2,000,434)
Interest on investments	20,047	4,242	1,382	25,671	16,563
Net cash provided by (used in) investing activities	<u>(987,557)</u>	<u>(995,222)</u>	<u>1,382</u>	<u>(1,981,397)</u>	<u>(1,983,871)</u>
Net increase in cash and cash equivalents	2,011,034	-	1,382	2,012,416	1,023,773
Cash and cash equivalents (including \$399,441 restricted cash), beginning of year	1,795,441	-	450,284	2,245,725	1,511,894
Cash and cash equivalents (including \$401,550 restricted cash), end of year	<u>\$ 3,806,475</u>	<u>\$ -</u>	<u>\$ 451,666</u>	<u>\$ 4,258,141</u>	<u>\$ 2,535,667</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 983,843	\$ (244,270)	\$ 364,418	\$ 1,103,991	\$ 205,454
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	1,966,628	4,750	-	1,971,378	767,686
(Increase) decrease in due from other funds	3,440,826	726,804	(362,112)	3,805,518	4,942,189
Decrease in pension and deferred outflow	161,033	130,674	-	291,707	60,717
(Increase) decrease in accounts receivable	75,196	(9,698)	2,564	68,062	-
(Increase) decrease in prepaid expenses	-	45,808	-	45,808	(1,762,889)
Increase in interest receivable	(3,313)	(777)	-	(4,090)	(292)
Decrease in accrued liabilities	(132,323)	(83,389)	(4,870)	(220,582)	(129,267)
Decrease in unearned gain	-	(45,808)	-	(45,808)	-
Increase (decrease) in due to other funds	(3,144,904)	471,128	-	(2,673,776)	(36,428)
Total adjustments	<u>2,363,143</u>	<u>1,239,492</u>	<u>(364,418)</u>	<u>3,238,217</u>	<u>3,841,716</u>
Net cash provided by operating activities	<u>\$ 3,346,986</u>	<u>\$ 995,222</u>	<u>\$ -</u>	<u>\$ 4,342,208</u>	<u>\$ 4,047,170</u>
NON-CASH INVESTING ACTIVITIES					
Change in the fair value of investments	<u>\$ 1,159</u>	<u>\$ (536)</u>	<u>\$ -</u>	<u>\$ 623</u>	<u>\$ 434</u>

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

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of University Park (“the City”) relating to the funds included in the accompanying financial statements conform to the generally accepted accounting principles in the United States of America applicable to local governments. The following represent the more significant accounting and reporting policies and practices used by the City.

A. Reporting entity

The City was incorporated April 17, 1924, to operate as a general law city. Until 1989, a three-member Board of Commissioners served as the elected governing body. On November 9, 1989, University Park voters approved a Home Rule Charter, and the governing body for the City became the five-member City Council. The City is regulated by the Code of State Statutes of the State of Texas and is authorized to perform the following services: public safety (police and fire), public works, planning, building inspection, sanitation, water and sewer utilities, and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. The blended component unit, although a legally separate entity, is in substance part of the government’s operations. See note below for description to emphasize that it is legally separate from the government.

Blended component unit. The University Park Civic Foundation, Inc. (“the Foundation”) is a tax-exempt, non-profit corporation established in 1987 to promote public safety as well as charitable, scientific, literary and educational activities. The Foundation was created to make monetary contributions to the City for the general public purpose of assisting the City in undertaking any lawful civic endeavor. Although the Foundation’s Board of Directors appoints its own successors, by practice the Board has always been comprised of three University Park City Council members. The City’s Director of Finance also serves as the Foundation’s Assistant Secretary/Assistant Treasurer. The Foundation is reported as a special revenue fund in the City’s financial statements and does not issue separate audited financial statements.

Discretely presented component units. Created with assistance from the City in 1985, the Texas Higher Education Authority, Inc. (“THEA”) provides low-interest construction loans to private higher education institutions. The City Council appoints all Board members of THEA, and may remove them at will. Upon dissolution, THEA’s net worth will revert to the City. THEA’s operating and capital expenditures, including debt service, were financed entirely by its bond issues. Subsequent to the mandatory redemption of all outstanding bonds in December of 2003, substantially all of THEA’s remaining net worth was transferred to the City. THEA is reported as an enterprise fund and has a December 31, fiscal year-end. THEA is comprised of a single fund, and separate financial statements are not prepared. In accordance with the resolution of the Board, all fund balances in THEA were transferred to the City during fiscal year 2013. Although THEA has not been dissolved, there were no transactions during fiscal year 2016. Therefore, this component unit is not presented in the City’s fiscal year 2016 financial statements.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

A second discretely presented component unit, the Southwest Higher Education Authority, Inc. ("SWHEA"), issues tax-exempt debt solely for the benefit of Southern Methodist University. Sponsored by the City, SWHEA was incorporated in 1983. The City Council appoints all Board members of SWHEA and may remove them at will. SWHEA pays the City a fee of \$15,000 for each bond issuance up to \$50 million, a fee of \$20,000 for an issue from \$50 to \$100 million, and a fee of \$25,000 for an issue over \$100 million. During FY16, SMU has refunded all of their bonds and as of September 30, 2016, SWHEA had issued/refunded seven series of bonds with an aggregate outstanding principal amount payable of \$536,245,000. These bonds are considered conduit debt of SWHEA and are reported in the financial statements of Southern Methodist University. SWHEA is reported as an enterprise fund and has a December 31 fiscal year-end. SWHEA is comprised of a single fund, and separate financial statements of SWHEA are not prepared. This component unit is presented in the City's fiscal year 2016 government-wide financial statements.

B. Government-wide and fund financial statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statements presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem taxes are recognized as revenues in the year for which they are levied.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Ad valorem taxes, sales taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – Accounts for the ordinary operations of the City financed from taxes and other general revenues. It is used to account for all financial resources except those required to be accounted for in another fund by law or contractual agreement.

Capital Projects Fund – Accounts for the acquisition of capital assets or the construction of major capital projects not being financed by proprietary funds.

The City reports the following major and nonmajor proprietary funds:

Water and Sewer Fund – Accounts for the provision of water and sewer services to the residents of the City.

Sanitation Fund – Accounts for the provision of sanitation services to the residents of the City.

Stormwater Fund – Accounts for the provision of stormwater services to the residents of the City.

The City reports the following additional funds:

Nonmajor governmental special revenue funds:

University Park Civic Foundation – Accounts for the proceeds of donations to and activities of the University Park Civic Foundation.

Court Security – Accounts for the collection and use of the Municipal Court security fee charged to defendants in accordance with state law.

Court Technology – Accounts for the collection and use of the Municipal Court technology fee charged to defendants in accordance with state law.

Police Training and Education – Accounts for the use of monies received for police training and education purposes.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

Police Forfeiture – Accounts for awards of monies by the courts to the Police Department. The administration of this fund is legally restricted to the police and the resources are to be used for police activities.

Fire Training and Education – Accounts for the use of monies received for Fire Department training and education.

Library – Accounts for the use of monies received for the City library.

Parks Projects and Programs – Accounts for the use of monies received for City park projects and programs.

Internal service funds:

Equipment Services Fund – Accounts for the costs associated with the acquisition and maintenance of specific equipment through the rental of it to other departments.

Comprehensive Self-Insurance Fund – Accounts for the costs associated with the general liability, property and casualty, workers' compensation, and employee health self-insurance program established by the City.

As a general rule, the effect of interfund activities has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's business type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues generally include charges to customers or applicants for goods, services, or privileges provided. Franchise fees, interest earnings and donations are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's water and sewer, sanitation and stormwater enterprise funds and of the equipment service and self-insurance internal service funds are charges to customers for sales or services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund balances are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is the residual classification within the General Fund. The General Fund should be the only fund that

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

reports a positive unassigned fund balance. In all other governmental funds, an unassigned balance is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note I.D.9.

D. Assets, liabilities, and net position or fund balance

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City uses a pooled cash approach, in which only one fund (the General Fund) has a "cash" account for making investment transactions.

Obligations with maturities of one year or less when purchased are reported at their amortized cost, while investments with maturities greater than one year are reported at fair value. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost. Interest income is allocated to the individual funds based on the funds' proportion of the pooled investments.

The City's investment policy permits investments in U.S. Treasury and Agency obligations, municipal securities, certificates of deposit, local government investment pools, certain money market mutual funds and repurchase agreements. The investment policy is reviewed and approved annually by the Finance Advisory Committee and the City Council and includes all City funds.

2. Receivables and payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Trade accounts receivable over 365 days old are the basis for the trade accounts receivable allowance for uncollectible amounts.

Property taxes are levied as of October 1 on property values assessed as of the prior January 1. They are considered past due 120 days after the respective tax billing date, at which time an enforceable lien attaches.

3. Inventories and prepaid items

Inventories are valued at a weighted average cost. In accordance with the consumption method of accounting, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

4. Restricted assets

The City classifies customer deposits in proprietary funds and assets from nonmajor governmental funds as restricted.

5. Interfund transactions

Reimbursements between funds are recorded as expenditures or expenses in the reimbursing fund and reductions of expenditures or expenses in the reimbursed fund. All legally authorized transfers are included in the results of operations of both governmental and proprietary funds.

The City's internal service funds – Equipment Services and Comprehensive Self-Insurance – record charges for services as operating revenues. The respective user funds record the related operating expenditures or expenses, as appropriate.

Nonrecurring or non-routine transfers of equity between funds – for example, the transfer of residual balances of discontinued funds to other funds – are accounted for as transfers.

Transactions that occur between the primary government and the component units are classified as “due to/from the primary government/component unit.”

6. Capital assets

Capital assets, which include land, buildings, improvements, infrastructure (e.g., roads, bridges, sidewalks and similar items) and equipment are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the City as either assets with an individual cost of more than \$5,000 or capital projects exceeding \$50,000, with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The City's capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements	20-30
Infrastructure	40
Equipment	5-20

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

7. **Compensated absences**

It is City policy to permit employees to accumulate certain limited vacation and sick pay benefits. The equivalent of two years of earned but unused vacation earnings may be accumulated and carried over from year to year. Any vacation leave in excess of this amount is forfeited. Upon termination in good standing, employees are paid for unused vacation.

Employees are able to accumulate unlimited sick leave while employed. However, a maximum of 90 days accumulated sick leave will be paid out upon retirement. Any unused sick leave above this amount is forfeited. A liability has been recognized for the portion of vacation and accumulated sick leave benefits estimated payable in both the following year and upon retirement for all employees. The retirement of this liability is paid from the General Fund, Proprietary Funds or Internal Service Funds based upon the assignment of the employee at termination.

8. **Long-term obligations**

Other than the portion of compensated absences estimated payable after September 30, 2016, there are no other long-term obligations of the City.

9. **Fund balance**

In accordance with GASB 54, the City classifies governmental fund balance as follows:

Nonspendable Fund Balance – Includes fund balance amounts that cannot be spent either because they are not in a spendable form, or because of legal or contractual requirements.

Spendable Fund Balance

Restricted – Includes fund balance amounts that can only be spent for the particular purpose stipulated by external resource providers either contractually, constitutionally or through enabling legislation.

Committed – Includes fund balance amounts that can only be spent for the specific purposes determined by formal action of the government's highest level of decision-making authority.

Commitments maybe modified or rescinded only by the government taking the same formal action that imposed the constraint originally. In the City of University Park, fund balance is committed by resolution of the City Council.

Assigned – Includes amounts intended to be used by the government for specific purposes. For this purpose, intent may be expressed by the governing body or by an official or body to which the governing body has delegated such authority. In accordance with the City Financial Management Policies, the City Council has authorized the City Manager to assign fund balance to a specific purpose. In practice, actions resulting in the assignment of fund balance may be taken by department directors. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

Unassigned – Includes the residual positive fund balance within the General Fund and includes all amounts not contained in any of the above classifications. Unassigned fund balance is available for any valid governmental purpose and may include negative balances for any governmental fund in which expenditures exceed the amount restricted, committed or assigned for those specific purposes. In accordance with the City Financial Management Policies, “it is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to at least 30 days of expenditures to mitigate financial risk that can occur from unforeseen revenue fluctuations, significant unanticipated expenditures and natural disasters.”

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted category of funds before spending the next most restricted category with available funds. Normally, this will result in the uses of committed, then assigned, and lastly, unassigned fund balance when expenditures are made, with the exception of the emergency reserve established by the City Council. Under normal circumstances, the City would first elect to utilize unassigned fund balance before considering the use of its emergency funds.

Although established by ordinance in 1976 and again in 1980, the City Council re-authorized the maintenance of a \$2,500,000 emergency reserve during fiscal 2011 through the adoption of Resolution 11-08. The emergency reserve “shall be available for expenditure upon authorization of the City Council for emergency relief of economic or natural disaster or other urgent purpose for which the Council sees fit.”

The following is an explanation of the fund balance classifications, other than those assigned, as presented on the Governmental Funds Balance Sheet:

Nonspendable Fund Balance – The portion of fund balance indicating items (such as inventory) that are not in spendable form.

Restricted Fund Balance – Includes fund balance amounts that can only be spent for the particular purpose stipulated by external resource providers either contractually, constitutionally or through enabling legislation.

Committed Fund Balance

SMU Land Sale – Committed by City Council resolution to remain invested in the General Fund providing interest earnings until such time as recommendations for use are made by a special review committee.

Emergency Expenditures – Committed by City Council resolution for emergency expenditures. May be added as necessary to future budgets by supplemental appropriations action.

SMU PILOT (Payment In Lieu of Taxes) – Committed by City Council resolution to remain invested in perpetuity, providing interest earnings to the General Fund.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

10. Pensions benefits

For purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and Firemen's Relief and Retirement Fund (FRRF) and additions to/deductions from TMRS's and FRRF's fiduciary net position have been determined on the same basis as they are reported by TMRS and FRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. The City allocates the net pension asset and liability, deferred outflows of resources, deferred inflows of resources and pension expenses based on the employee count in each functional areas. Investments are reported at fair value.

11. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The deferred outflows of resources are reported in the government-wide statement of net position for governmental and business activities and the fund level for the proprietary statement of net position. The City has two items that qualify for reporting in this category. First, the City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year. Second, the difference between projected and actual earnings on pension plan investments are deferred and recognized as pension plan expense over a closed five-year period as required by GASB 68.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has two items that qualify for reporting in this category. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period they become available to the City. A deferred inflow of resources is recognized in the government-wide statement of net position for governmental and business activities and the fund level for the proprietary statement of net position for the difference between the expected experience and the actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the plan actuary. The amortization period is based on the estimated average remaining service lives of employees that are provided with a pension through the pension plan (active and inactive employees) for the City determined as the beginning of the measurement date.

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

E. Implementation of new accounting principles

The GASB has issued the following pronouncements which became effective for the fiscal year 2016.

GASB Statement No. 72, *Fair Value Measurement and Application*, addressed accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. For further details of the fair value presentation refer to Note III.B.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, the objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. For further details of the various pension balances refer to Note IV.D.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* is effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. For further details of the various investment pools refer to Note III.A.2.

The GASB has issued the following statements which will be effective in future years as described below. The impact on the City's financial statements of implementation has not yet been determined for the following:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* is effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for fiscal years beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB Statement No. 77, *Tax Abatement Disclosures* is effective for reporting periods beginning after December 15, 2015. This Statement requires disclosure of tax abatement information about (1) a

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* is effective for reporting periods beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 85, *Omnibus 2017* is effective for periods beginning after June 15, 2017. This Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America applicable to local governments. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager.

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year end are reported as assignments of fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of expenditures over appropriations

For the year ended September 30, 2016, expenditures exceeded appropriations in the Executive, Information Service and Library departments (the legal level of budgetary control) of the General Fund by \$65,621. The over-expenditure in these departments was offset by lower than anticipated spending in other departments within the General Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

1. Cash

At September 30, 2016, the carrying amount of the City's bank deposits was \$15,868,106 and the bank balance was \$16,256,173. The City's bank deposits at year-end were entirely covered by federal depository insurance or by pledged collateral held by the City's agent in the City's name. Cash on hand equaled \$2,200. Restricted cash totaled \$401,550.

2. Cash equivalents

The City participates in three investment pools. They include:

TexPool – a State of Texas sponsored state investment pool composed of U.S. government obligations, repurchase agreements, and money market mutual funds; and

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

TexSTAR (Texas Short Term Asset Reserve Program) – a local government investment pool composed of U.S. government obligations, fully collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds; and

TexasTERM (including **TexasDAILY**) – a local government investment pool offering fixed rate, fixed term investments, composed of U.S. government obligations, fully collateralized repurchase agreements, certificates of deposit issued by FDIC insured state and national banks doing business in Texas and AAA rated no-load money market mutual funds.

Texpool and TexasDaily use amortized cost rather than fair value to report net position to compute share prices. TexStar uses the fair value of the position in the pools which approximates net asset value of the pool shares.

As of September 30, 2016, the City held the following deposits in pooled funds:

Pool:		Weighted Average Maturity (in Days)	Credit Rating (Standard & Poor's)
TexPool	\$ 129,196	1	AAAm
TexSTAR	1,375,827	1	AAAm
TexasDaily	9,960,399	1	AAAm
	\$ 11,465,422		

B. Investments and Deposits

	Inputs as of 09/30/2016		Weighted Average Maturity (in Days)
	Bank Balance	Book Balance	
Certificates of Deposit	\$ 15,657,648	\$ 15,645,442	655

Fair Value Measurements – The City categorizes its fair value measurements within the fair market value hierarchy established by generally accepted accounting principles in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described as follows:

- i. Level 1 – Quoted prices (unadjusted) in active markets for identical assets. These types of investments primarily include common stock and equities traded on public exchanges.
- ii. Level 2 – Significant observable inputs for the asset other than quoted prices included within Level 1 that are observable for similar securities, but not exact. These types of investments include US Government obligations and obligations of government agencies.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

- iii. Level 3 – Significant unobservable inputs for an assets, as they trade infrequently or not at all. (The City does not value any investments using Level 3 inputs.)

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

Investment Type	Inputs as of 09/30/2016			Weighted Average Maturity (in Days)
	Level 1	Level 2	Level 3	
U.S. Agencies	\$ -	\$ 12,022,459	\$ -	534
Investments weighted average maturity				602
Combined (pooled funds and investments) weighted average maturity				302

Interest rate risk – In accordance with its annually adopted investment policy, the City manages its exposure to declines in fair value by limiting the combined weighted average maturity of its portfolio to no more than 548 days, while employing a “buy and hold” strategy. For purposes of the calculation, the combined weighted average also includes pooled fund deposits, which from a city investment perspective have a weighted average maturity of one day.

Credit risk – The investments reported above meet the criteria specified in the City’s investment policy relative to those specific types of instruments.

- i. Obligations of the United States or its agents and instrumentalities with a maturity not to exceed five (5) years from the date of purchase issued by, guaranteed by, or for which the credit of any of the following Federal Agencies and Instrumentalities are pledged for payment: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Agricultural Mortgage Corporation (FAMC) and Federal Home Loan Mortgage Corp (FHLMC). Each of the City’s purchased investments was rated at least AA+ by Standard and Poor’s.
- ii. Certificates of Deposit issued by a depository institution with a main office or branch in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), or secured by obligations or unconditional guarantees of the United States or its agencies and instrumentalities, the State of Texas or its agencies, or obligations of states, agencies, counties, cities and other political subdivision of any state having been rated as to investment quality by a nationally recognized investment firm not less than “A” or its equivalent.

Concentration of credit risk – It is the policy of the City to avoid a concentration of assets in a specific maturity, a specific issue or a specific class of securities. The applicable limits on the City’s current investment are: U.S. Treasuries and Cash (100%), U.S. Agencies (60%), Certificates of Deposit (30%) and Local Government Investment Pools (50%). The actual percentages of these deposits and investments at September 30, 2016 are 29%, 22%, 28% and 21%, respectively.

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

Custodial credit risk of investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the policy of the City to mitigate this risk by contracting with third-party banks for the safekeeping of securities either owned by the City as part of its investment portfolio or held as collateral to secure certificates of deposit or repurchase agreements. Settlement of all investment transactions are on a delivery versus payment basis, and all securities are held by the third party custodian in the name of the City.

C. Receivables

Receivables as of year-end for the City’s individual major, non-major and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects	Water and Sewer	Sanitation	Stormwater	Internal Service	Nonmajor and Other	Total
Receivables:								
Ad Valorem tax	\$ 174,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,782
Sales Tax	780,469	-	-	-	-	-	-	780,469
Franchise	498,671	-	-	-	-	-	-	498,671
Customers	423,520	-	2,454,073	396,756	58,355	-	-	3,332,704
Interest	46,270	3,290	3,313	777	-	292	-	53,942
Other	363,209	-	-	-	-	5,000	40,000	408,209
Gross Receivables	2,286,921	3,290	2,457,386	397,533	58,355	5,292	40,000	5,248,777
Less: Allowance for Uncollectibles	(126,862)	-	(53,000)	(12,500)	-	-	-	(192,362)
Net Total Receivables	\$ 2,160,059	\$ 3,290	\$ 2,404,386	\$ 385,033	\$ 58,355	\$ 5,292	\$ 40,000	\$ 5,056,415

Ad Valorem (Property) tax attaches as an enforceable lien on property as of January 1. The tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value and certified by the Dallas County Appraisal District. The assessed value of real and personal property on the tax roll as of January 1, 2015 was \$10,106,827,390. The taxable value (assessed value less exemptions) upon which the fiscal 2016 levy was based was \$6,831,257,440.

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 City Charter does not provide for a debt limit. The tax rate for the year ended September 30, 2016 was \$0.25893 per \$100, all of which was allocated to the general government.

Taxes are due October 1, the levy date. Full payment can be made prior to the following January 31 to avoid penalty and interest charges. Current tax collections for the year ended September 30, 2016 were 99% of the tax levy.

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

Property taxes levied for fiscal year 2016 have been recorded as receivables, net of estimated uncollectible amounts. The net receivables collected during 2016 and those considered “available” at September 30, 2016 (i.e., property taxes collected within 60 days of year-end) have been recognized as revenues in 2016. The remaining receivables have been reflected as unavailable revenue in the fund statements.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district at 100% of its appraised value and are prohibited from applying and assessment rations. The value of property within the appraisal district must be reviewed every four 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 rate 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. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

D. Prepaid expenses

In 1997, the City exchanged land with an original value of \$20,000 for a reduction in landfill tipping fees for the next 28 years with the City of Garland. The present value of the tipping fees is reflected in the financial statements as a prepaid expense and unearned revenue in the Sanitation Fund.

In 2016, the City entered into various agreements to purchase services and assets which to be delivered during 2017. The City has entered into an agreement to purchase two fire vehicles, and the value of \$1,762,889 is reflected in the financial statements as a prepaid expense in the Equipment Services Fund. The City has also entered into agreements to purchase software and training for the Information Services department, and the value of \$12,500 is reflected in the Governmental Fund.

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

E. Capital assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement / Sale</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 7,041,359	\$ -	\$ -	\$ -	\$ 7,041,359
Construction in progress	2,095,696	4,920,879	-	(661,957)	6,354,618
Capital assets, being depreciated:					
Buildings	17,498,780	-	-	-	17,498,780
Improvements	37,987,307	-	-	437,930	38,425,237
Equipment	16,653,825	1,631,961	(2,466,780)	224,027	16,043,033
Infrastructure	12,870,590	-	-	-	12,870,590
Total capital assets	<u>94,147,557</u>	<u>6,552,840</u>	<u>(2,466,780)</u>	<u>-</u>	<u>98,233,617</u>
Less accumulated depreciation for:					
Buildings	(4,314,893)	(440,925)	-	-	(4,755,818)
Improvements	(9,956,131)	(1,482,103)	-	-	(11,438,234)
Equipment	(9,532,722)	(1,251,990)	1,784,914	-	(8,999,798)
Infrastructure	(3,900,698)	(321,783)	-	-	(4,222,481)
Total accumulated depreciation	<u>(27,704,444)</u>	<u>(3,496,801)</u>	<u>1,784,914</u>	<u>-</u>	<u>(29,416,331)</u>
Governmental activities capital assets, net	<u>\$ 66,443,113</u>	<u>\$ 3,056,039</u>	<u>\$ (681,866)</u>	<u>\$ -</u>	<u>\$ 68,817,286</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement / Sale</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business type activities:					
Capital assets, not being depreciated:					
Land	\$ 108,758	\$ -	\$ -	\$ -	\$ 108,758
Construction in progress	5,111,568	1,371,252	-	(3,578,510)	2,904,310
Capital assets, being depreciated:					
Buildings	54,594	-	-	-	54,594
Improvements	85,210,207	-	-	3,578,510	88,788,717
Equipment	409,446	14,395	(5,427)	-	418,414
Total capital assets	<u>90,894,573</u>	<u>1,385,647</u>	<u>(5,427)</u>	<u>-</u>	<u>92,274,793</u>
Less accumulated depreciation for:					
Buildings	(54,594)	-	-	-	(54,594)
Improvements	(36,714,533)	(1,959,833)	36,367	-	(38,637,999)
Equipment	(278,713)	(11,545)	5,427	-	(284,831)
Total accumulated depreciation	<u>(37,047,840)</u>	<u>(1,971,378)</u>	<u>41,794</u>	<u>-</u>	<u>(38,977,424)</u>
Business type activities capital assets, net	<u>\$ 53,846,733</u>	<u>\$ (585,731)</u>	<u>\$ 36,367</u>	<u>\$ -</u>	<u>\$ 53,297,369</u>

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

Depreciation expense was charged to the functional areas of the primary government as follows:

Governmental activities:	
General Government	\$ 1,809,731
Public Safety	538,295
Public Works	270,577
Parks	561,520
Streets	316,678
	<hr/>
Total depreciation expense – Governmental activities	\$ 3,496,801
	<hr/> <hr/>
Business type activities:	
Water and Sewer	\$ 1,966,628
Sanitation	4,750
	<hr/>
Total depreciation expense – Business type activities	\$ 1,971,378
	<hr/> <hr/>

The government has active construction projects as of September 30, 2016. The projects include drainage and sewerage improvements, utility improvements, park improvements and renovations as well as on-going “mile-per-year” (MPY) projects.

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

Construction in progress at September 30, 2016 is as follows:

	Balance at 9/30/2015	Expended in FY2016	Transferred or expensed	Balance at 9/30/2016
Governmental Projects				
Time & Attendance system replacement	\$ 35,264	\$ 8,463	\$ 43,727	\$ -
Telephone system upgrade	182,606	41,421	224,027	-
New World finance system hardware replacement	35,038	6,200	41,238	-
Walt Humann Park lighting project	-	2,430	2,430	-
Median upgrades (Owsley Park/Turtle Creek)	1,246	12,460	13,706	-
University entrance portal	7,065	204,090	211,155	-
Elena's Children's Park improvements	19,043	1,120	20,163	-
Goar Park restroom structure	17,467	-	17,467	-
Pool building upgrades	7,677	88,889	-	96,566
Preston Road landscape and lighting	6,689	220,086	226,775	-
Tollway wall landscape-N. of Lovers Lane	4,536	(3,678)	-	858
Old Peek Center	113,843	-	113,843	-
Miracle Mile pavement and drainage	43,710	-	43,710	-
Parks software recreation system replacement	-	387	387	-
Code Enforcement migration to Energov	-	12,975	-	12,975
Planned server hardware replacement NEW	-	35,119	-	35,119
Athletic field fencing replacement	-	24,250	24,250	-
Elena's Children's Park improvements - II	-	32,056	-	32,056
Bench/table replacements	-	47,290	47,290	-
Goar Park restroom structure	-	8,196	-	8,196
LED lighting upgrades	-	13,639	-	13,639
Walt Humann Park playground replacement	-	186,376	-	186,376
Hitzelburger Park Fountain LED lighting	-	65,037	-	65,037
Playground resurfacing	-	36,356	-	36,356
Online applicant tracking system	-	23,207	-	23,207
Traffic signal replacement	322,835	665,845	-	988,680
McFarlin Bridge/pond dredging	1,298,677	3,556,876	-	4,855,553
	<hr/>			
Total	\$ 2,095,696	\$ 5,289,090	\$ 1,030,168	\$ 6,354,618
<hr/>				
Business type Projects				
Hillcrest 12" water line	\$ -	\$ 26,933	\$ 26,933	\$ -
MPY 41-4400 Windsor/Stanhope	207,720	945,287	-	1,153,007
MPY Douglas sewer main-Emerson to Lovers	3,536,314	15,263	3,551,577	-
Water meter replacement	1,320,745	430,558	-	1,751,303
HP-UP shared sanitary sewer	46,789	-	46,789	-
	<hr/>			
Total	\$ 5,111,568	\$ 1,418,041	\$ 3,625,299	\$ 2,904,310
<hr/>				
Grand Total	\$ 7,207,264	\$ 6,707,131	\$ 4,655,467	\$ 9,258,928

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

F. Interfund receivables, payables and transfers

Individual interfund receivable and payable balances at September 30, 2016 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	42 Capital projects - enterprise	\$ 2,045,431
Water and Sewer	01 General	1,509,023
Sanitation	01 General	3,236,374
	02 Water and Sewer	316,055
Stormwater	01 General	592,597
	02 Water and Sewer	24,939
	42 Capital projects - enterprise	367,353
SWHEA	01 General	25,000
Capital Projects	01 General	2,484,066
	02 Water and Sewer	516,629
	42 Capital projects - enterprise	19,524
	45 Self-Insurance	1,966,832
Self-Insurance	01 General	5,183,590
	02 Water and Sewer	549,714
	04 Sanitation	79,426
	47 Equipment Services	48,901
Equip Service	01 General	119
	02 Water and Sewer	77,360
	04 Sanitation	3,279,145
Court Security	01 General	82,982
Court Technology	01 General	28,419
Police Training and Education	01 General	25,011
Fire Training and Education	01 General	6,796
Library	01 General	14,903
Parks Projects and programs	01 General	5,889
UP Civic Foundation	01 General	250
	Total	<u>\$ 22,486,328</u>

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

All interfund balances at year-end result from the recording of cash in the general fund, and the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balances noted above may be settled, offset or reduced in the coming year through cash or other investment asset transfers.

Government interfund transfers during the year ended September 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>			
	<u>Capital Projects</u>	<u>Water and Sewer</u>	<u>Stormwater</u>	<u>Total</u>
General Fund	\$ 2,986,407	\$ 1,073,620	\$ -	\$ 4,060,027

Interfund transfers are reported in the governmental and proprietary funds financial statements. In the government-wide statements, interfund transfers are eliminated within the governmental and business type activities columns as appropriate.

Interfund transfers are used to move unrestricted revenues collected in the General Fund to finance various capital projects in accordance with budgetary authorizations. Authorized transfers are also made to fund the identifiable governmental-type costs of capital projects within the Water and Sewer fund.

The City did not transfer any funding to any of the special revenue funds during fiscal year 2016.

G. Long-term liabilities

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities					
Compensated absences	\$ 2,396,912	\$ 140,866	\$ (229,363)	\$ 2,308,415	\$ 922,189
Business type activities					
Compensated absences	\$ 619,996	\$ 39,318	\$ (71,007)	\$ 588,307	\$ 235,825

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

H. Component unit

The Statement of Net Assets and Statement of Activities for component unit are presented on the face of the government-wide financial statements. Cash flow information for SWHEA is as follows:

	SWHEA
Cash Flows from Operating Activities:	
Payments from (to) other funds	\$ -
Income from bond issuance	25,000
Net cash provided by operating activities	25,000
Cash Flows from Investing Activities:	
Interest on Investments	-
Net cash provided by investing activities	-
Net increase in cash and cash equivalents	25,000
Beginning cash and cash equivalents	-
Ending cash and cash equivalents	\$ 25,000

IV. OTHER INFORMATION

A. Risk management and self-insurance

The City maintains a comprehensive self-insurance plan. The self-insurance plan encompasses workers' compensation benefits, fire, law enforcement, auto fleet, computer hardware and software, other property, public officials' liability and general liability coverage.

The Texas Municipal League Inter-Governmental Risk Pool, a public entity risk pool operating as a common risk management and insurance program, coinsures with the City for individual claim retention levels and corresponding policy limits.

The limits and corresponding deductibles are as follows:

	Limit	Deductible
General Liability	5,000,000	25,000
Law Enforcement Liability	5,000,000	25,000
Error and Omissions Liability	10,000,000	50,000
Automobile Liability	5,000,000	100,000
Automobile Physical Damage	Actual Cash Value	10,000/10,000
Real and Personal Property	Replacement Value	25,000
Flood and Earthquake	Replacement Value	25,000
Mobile Equipment	Actual Cash Value	500
Worker's Compensation	-	100,000

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

All claims and maximums are calculated for a plan year ending each September 30. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In January 2000, the City expanded its self-insurance program to include employee health coverage. The program is configured to offer Preferred Provider Organization (PPO) and Health Savings Account (HSA) using an outside provider network. A third-party insurance company coinsures with the City for claims administration and individual claim retention levels, with policy limits set at \$85,000 per occurrence and an aggregate stop loss of \$2,867,053 per year.

Premium payments are treated as operating revenues of the Comprehensive Self-Insurance Internal Service Fund and operating expenditures/expenses of the participating funds.

Included in accrued liabilities are the provisions for claims reported and claims incurred but not reported (collectively, unpaid claims liability). The provision for claims reported is determined by estimating the amount that will ultimately be paid to each claimant. The provision for claims incurred but not reported is estimated based on City experience since the inception of the program.

Unpaid claims liability of \$281,603 is included in the accrued liabilities of the Comprehensive Self-Insurance Internal Service Fund.

Changes in the balances of unpaid claims liabilities during 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning of year	\$ 289,506	\$ 337,646
Current year claims (including IBNRs) and change in estimate	2,709,954	3,050,027
Claim Payments	<u>(2,717,857)</u>	<u>(3,098,167)</u>
Unpaid claims, end of year	<u>\$ 281,603</u>	<u>\$ 289,506</u>

B. Commitments and contingencies

1. Water and sewer contracts

The City's water supply is derived from Dallas County/Park Cities Municipal Utility District ("the MUD") under a twenty-year contract dated March 2, 2004, at an agreed upon rate that is adjusted annually. The 2016 rate for treated water was \$2.3761 per 1,000 gallons. The MUD was originally created to serve (and continues to serve) only the cities of University Park and Highland Park. It has its own treatment and storage facilities and obtains its water from Lake Grapevine, in which it has rights to the first 50,000 acre-feet of stored water. During fiscal year 2016, the cost of water purchased under this contract was approximately \$4,612,771.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

On November 5, 1973, the City entered into a twenty-year contract for sewage disposal with the City of Dallas. As of February 12, 2014, the City received a thirty-year extension on the contract to February 21, 2044. Under the terms of the contract, Dallas is paid a monthly fee determined by Cost-of-Service Study on a utility basis at original cost. During fiscal 2016, the cost of sewage disposal under this contract was approximately \$2,072,385 at a rate of \$2.2688 per 1,000 gallons.

2. Commitments

The City has contractual commitments of \$290,639 in the General Fund, \$9,966,009 in the Capital Projects Fund, and \$294,025 in other non-major governmental funds. These commitments are for various purchases and construction projects and will be funded by various general governmental incomes.

3. Contingencies

The City is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of City officials, will have a material effect on the City's financial position.

C. Deferred compensation plan

The City offers its employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The employees have a choice of participating in the Nationwide Retirement Solutions (formerly the Public Employees Benefit Services Corporation, or PEBSCO) plan and/or the International City Management Association Retirement Corporation (ICMA-RC) plan. All amounts of compensation under these plans are placed into investment pools administered by Nationwide and ICMA-RC, respectively. The plans, available to all regular employees, permit deferral of up to \$18,000 of compensation (\$24,000 for those over 50) in 2016. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under these plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust by a third party for the exclusive benefit of the participants and their beneficiaries. As a result, the deferred compensation investments are not included in the City's financial statements.

D. Retirement plans

1. Texas Municipal Retirement System (TMRS)

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

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.TMRS.com.

All eligible employees of the City are required to participate in TMRS (except for the City's fire personnel covered under the FRRF plan, below).

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.

Plan provisions for the City were as follows:

	Plan Year 2016
Employee deposit rate	7.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20
Updated service credit	100%
Annuity increase (to retirees)	0% of CPI

On the actuarial valuation a measurement date of December 31, 2015, the following employees/beneficiaries were covered by the benefit terms:

Membership		
Number of		
Inactive employees or beneficiaries currently receiving benefits	133	
Inactive employees entitled to but not yet receiving benefits	48	
Active employees	204	
Total	385	

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

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

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 amounts 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 of University Park were 6.19% and 5.55% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$904,082, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with 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

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.50%	4.55%
International equity	17.50%	6.10%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	3.65%
Real return	10.00%	4.03%
Real estate	10.00%	5.00%
Absolute return	10.00%	4.00%
Private equity	5.00%	8.00%
Total	100.00%	

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 the assumptions, 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.

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2014	\$ 81,084,512	\$ 85,487,667	\$ (4,403,155)
Changes for the year:			
Service cost	1,850,469	-	1,850,469
Interest	5,596,121	-	5,596,121
Change of benefit terms	-	-	-
Difference between expected and actual experience	(6,999)	-	(6,999)
Changes of assumptions	2,198,651	-	2,198,651
Contributions - employer	-	932,731	(932,731)
Contributions - employee	-	1,054,827	(1,054,827)
Net Investment income	-	126,138	(126,138)
Benefit payments, including refunds of employee contributions	(4,130,311)	(4,130,311)	-
Administrative expense	-	(76,833)	76,833
Other changes	-	(3,795)	3,795
Net changes	\$ 5,507,931	\$ (2,097,243)	\$ 7,605,174
Balance at 12/31/2015	\$ 86,592,443	\$ 83,390,424	\$ 3,202,019

Sensitivity of Discount Rate

Sensitivity of the net pension liability to changes in the discount rate.

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate			
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%	
\$ 13,457,400	\$ 3,202,019	\$ (5,425,131)	

Pension Plan Fiduciary Net Position

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

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

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 \$874,623.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ (5,510)
Changes in actuarial assumptions	1,730,853	-
Difference between projected and actual investment earnings	4,686,399	-
Contributions subsequent to the measurement date	652,253	-
Total	\$ 7,069,505	\$ (5,510)

\$652,253 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2016	\$ 1,735,728
2017	1,735,728
2018	1,752,421
2019	1,498,015
2020	-
Thereafter	-
Total	\$ 6,721,892

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

2. Firemen’s Relief and Retirement Fund (FRRF)

Plan Description

The Board of Trustees is the administrator of the University Park Firemen’s Relief and Retirement Fund (“the Fund”), a single-employer defined benefit pension plan. The City of University Park, Texas is the only contributing employer. Firefighters in the University Park Fire Department are covered by the FRRF and also contribute to the FRRF. The FRRF is not a part of the City’s reporting entity because the City does not have fiduciary responsibility of the FRRF assets, is not able to impose its will on the FRRF, nor is the FRRF fiscally dependent on the City, since the Board of Trustees has the ability to complete essential fiscal events without approval by the City, and the Board is not appointed by the City.

The plan covers current and former fire fighters of the City of University Park, Texas as well as certain beneficiaries of former firefighters. The plan is open to new entrants. The types of employees covered, as well as the plan membership as of December 31, 2015 (the most recent actuarial valuation) are as follows:

Number of	12/31/2015
Retirees and beneficiaries currently receiving benefits	42
Terminated employees entitled to but not yet receiving benefit	1
Active members	35
Total	78

Benefits

The FRRF provides service retirement, early retirement, disability, death and termination benefits. These benefits fully vest after 20 years of credited service with a partially vested benefit with 19 years of service. Employees may retire at age 50 with 20 years of service. The Plan effective January 1, 2002 provides for a monthly service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity. The monthly benefit equals 60% of the Highest 60-Month Average Salary plus \$80.00 per month for each year of service in excess of 20 years.

A firefighter has the option to participate in a Retroactive Deferred Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced annuity upon termination of employment. Firefighters must be at least age 53 with 23 years of service at the selected RETRO DROP benefit calculation date (which is prior to the date of employment termination).

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Firefighters’ Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

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 Net Pension Liability was determined by an actuarial valuation as of that date.

Contributions

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter.

While the contributions made are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the Plan's normal cost contribution rate is determined as a percentage of payroll.

The excess of the total contribution rate over the normal cost rate is used to amortize the Plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.

The costs of administering the plan are paid from the Fund.

The funding policy of the FRRF required contributions of 10% of pay by the members through September 2009. For the period from October 2009 through September 2010, member contributed 12% of total pay. For the period from October 2010 through September 2011, member contributed 14% of total pay. For the period from October 2011 through September 2012, member were scheduled to contribute 15% of total pay; however the 2011 increase was extended by one year, by vote of the membership. For the period from October 2013 to September 2014, members were scheduled to contribute 15% of total pay.

In accordance with current TLFFRA statutes, the City is required to make contributions to the FRRF at the same rate paid by the firefighters, or 12%, whichever is less. The City has traditionally contributed to the FRRF at the same rate it contributed to TMRS, which has always resulted in a rate in excess of statutory requirements. On July 1, 2008, the City FRRF contribution rate was set at 15.54% of payroll; to compensate the FRRF for the loss of contributions related to incoming fire department personnel who opted to join the TMRS Plan in accordance with TLFFRA provisions. The City continued to contribute 15.54% of total pay through September 2014.

From October 2014 to September 2016, the FRRF Board has accepted the City's proposal to shift 2% of the contribution from the firefighters' contribution to the City contribution for a year. This action decreased the firefighters' contribution from 15% to 13%, and increased the City's contribution from 15.54% to 17.54% for a year. This shift was extended to September 2017, and it is subject for review before September 30, 2017.

The City's contributions to FRRF for the year ended September 30, 2016, were \$615,505, and were equal to the required contributions.

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

General Actuarial Assumptions:

Valuation date	<u>12/31/2015</u>
Actuarial cost method	Entry age
Amortization method	Level percent of payroll, open
Remaining amortization period	51.7 years
Asset valuation method	5-year smoothed market value with a 20% market value corridor
Inflation	3.00%
Investment rate of return	8.00%
Salary increase rate	4.0% to 11.28%, including inflation based on service at attained age
Retirement Age	Experienced-based table of rates that are specific to the University Park Firemen's Relief and Retirement Fund
Mortality	Employee and healthy annuitant combined rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females

The long-term expected rate of return on pension plan investments is 8.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the FRRF Board of Trustees. 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 FRRF.

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

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash & short-term fixed income	1.45%	0.00%
Investment grade fixed income	17.40%	3.00%
High yield fixed income	9.06%	5.00%
All-cap	11.31%	5.75%
Large-cap	12.73%	6.75%
Smid-cap	4.80%	8.25%
Smid-cap value	1.27%	8.75%
Small-cap	4.63%	8.25%
Emerging markets	4.94%	6.00%
Global equity	13.80%	5.80%
Real estate	3.38%	7.75%
Income opportunity fund	10.18%	6.00%
Master limited partnership	2.86%	9.00%
Strategic global convertibles	2.19%	6.75%
Total	100.00%	

Discount Rate

Decrements are assumed to be annual rates, rather than probabilities, and are adjusted for the interaction between competing decrements. The 8.00% rate of return was set by examining the fund's rate of return history and by taking into account future expected rates of return for portfolios with similar asset allocations. The assumed 8.00% rate can be considered to include a provision for inflation at 3.00% per year, although other combinations of real return, risk premium and inflation are also accounted for by an 8.00% assumed rate. The rate of return is net of trust expenses. The same inflation component was used in the assumed rate of return on the actuarial value of assets, the assumed increases in compensation for individual members and the other actuarial assumptions.

The discount rate used to measure the Total Pension Liability was 8.00%. 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, and was projected over a period of 100 years. Based on the assumptions, 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.

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2014	\$ 20,847,867	\$ 9,515,461	\$ 11,332,406
Changes for the year:			
Service cost	563,798	-	563,798
Interest	1,645,714	-	1,645,714
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,524,554)	-	(1,524,554)
Changes of assumptions	1,275,048	-	1,275,048
Contributions - employer	-	588,724	(588,724)
Contributions - employee	-	436,340	(436,340)
Net Investment income	-	(252,668)	252,668
Benefit payments, including refunds of employee contributions	(1,181,483)	(1,181,483)	-
Administrative expense	-	(38,831)	38,831
Other changes	-	-	-
Net changes	\$ 778,523	\$ (447,918)	\$ 1,226,441
Balance at 12/31/2015	\$ 21,626,390	\$ 9,067,543	\$ 12,558,847

Sensitivity of Discount Rate

The following table presents the sensitivity of the Net Pension Liability to Changes in the discount rate when calculating it at 1-percentage-point-lower (7.00%) and 1-percentage-point-higher (9.00%).

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

1% Decrease 7.00%	Current Single Rate Assumption 8.00%	1% Increase 9.00%
\$ 14,953,173	\$ 12,558,847	\$ 10,526,341

The net pension liability and the total pension liability were calculated by John M. Crider, Jr. The measurement date and the actuarial valuation date were January 1, 2015 to December 31, 2015, respectively.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense of \$595,771.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	804,877	-
Contributions subsequent to the measurement date	451,202	-
Total	\$ 1,256,079	\$ -

\$451,202 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows/(Inflows) of Resources
2016	\$ 235,021
2017	235,021
2018	235,023
2019	182,140
2020	(19,080)
Thereafter	(115,947)
Total	\$ 752,178

Separate audited financial statements are available, and can be obtained by contacting the City of University Park Fire Department at 3800 University Blvd., University Park, Texas 75205.

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

E. Retiree Health Care Plan

Plan Description

The City of University Park offers certain health care benefits to retired employees through a single-employer defined benefit plan ("the Plan"). Permanent full-time employees of the City of University Park are eligible to participate in the Plan upon retirement. They may remain members of the Plan until they reach the age of 65 or otherwise become eligible for Medicare benefits. Members must pay 100% of the retiree health care premium. Members become eligible to participate in the Plan upon normal service retirement, or if they meet the Disability Retirement provisions of TMRS or FRRF, whichever applies, and draw disability retirement benefits from TMRS or FRRF, whichever applies. Members terminating their employment before normal service retirement conditions are not eligible for retiree health care. The City of University Park does not provide subsidized retiree vision or dental coverage. The Plan does not issue separate financial statements. All payments received or made on behalf of the Plan are done so through the Comprehensive Self-Insurance Fund.

Current retirees contribute to the Plan an amount approximating the blended premium for active and retired participants. This amount is determined annually by an Employee Benefits Committee, under the direction of the City Council. Retiree contribution rates for fiscal 2016 range from \$10,418 to \$17,398 per year, depending on coverage levels.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Beginning with fiscal 2009, the ARC has been calculated assuming "pay-as-you-go" (PAYGO) funding.

In 2009, the first year GASB Statement 45 was adopted, the annual OPEB cost was equal to the ARC. Actual claims and certain other costs paid on behalf of retirees may be treated as employer contributions in relation to the ARC and act to reduce the Net OPEB Obligation.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the OPEB Plan, and the changed in the City's Net OPEB Obligation.

(This area intentionally left blank.)

CITY OF UNIVERSITY PARK, TEXAS

Notes to Financial Statements

September 30, 2016

The Annual Pension Cost and Net Pension Obligation are as follows:

	Fiscal 2016
Annual Required Contribution (ARC) under PAYGO funding	\$ 63,795
Interest on Net OPEB Obligation (at 4.5%)	10,960
Adjustment to the ARC	(10,155)
Annual OPEB cost	64,600
Contributions Made/Catch-ups	35,225
Change in OPEB Obligation	99,825
Net OPEB Obligation, beginning of year	243,554
Net OPEB Obligation, end of year	\$ 343,379

Contribution made (as presented above) included offsetting retiree premium payments, which were in excess of employer costs. This resulted in a net increase in the OPEB Obligation for the year.

Three-Year Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage Of APC Contributed	Net Pension Obligation (Asset)
2014	57,921	5,948	10%	303,079
2015	64,798	124,323	195%	243,554
2016	64,600	(35,225)	(55%)	343,379

Funded Status

As of December 31, 2014, the most recent actuarial valuation date, the present value of all benefits expected to be paid to current OPEB Plan member was \$993,980. The actuarial accrued liability, which is the portion of the \$993,980 attributable to service accrued by OPEB Plan members as of December 31, 2014 is \$615,743. As of December 31, 2014 there are \$0 in valuation assets to offset the liabilities of the plan, resulting in an unfunded accrued actuarial liability of \$615,743 and a 0% funded ration. The covered payroll (annual payroll of active employees covered by the plan) was \$18,425,429, and the ration of the UAAL to the covered payroll was 3.34%.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF UNIVERSITY PARK, TEXAS
Notes to Financial Statements
September 30, 2016

In the December 2014 actuarial valuation, the Projected Unit Credit, level Percent of Payroll actuarial cost method was used to calculate the ARC. The actuarial assumptions include a 4.5% investment rate of return, compounded annually net after investment expenses. The assumed real rate of return is the rate of return in excess of general price inflation, which was assumed to be 3% per year. Considering other assumptions used in the valuation, the 4.5% nominal rate translates to a real net return of 1.5% a year. The payroll growth rate for funding the Unfunded Actuarial Accrued Liabilities was assumed to be 3% per year. The annual healthcare cost increase was 7.00% for 2016, decreasing by 0.25% per year, until reaching an ultimate rate of 4.5% in 2025 or later. The unfunded actuarial liability is amortized over a closed 30-year period, which is the maximum time period permitted by Governmental Accounting Standards Board Statements No. 43 and No. 45.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liability of benefits.

(This area intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UNIVERSITY PARK, TEXAS

Texas Municipal Retirement System

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Last 10 years

	2015	2016
Total pension liability		
Service cost	\$ 1,721,395	\$ 1,850,469
Interest (on the Total Pension Liability)	5,398,451	5,596,121
Changes of benefit terms	-	-
Difference between expected and actual experience	(544,994)	(6,999)
Changes of assumptions	-	2,198,651
Benefit payments, including refunds of employee contributions	(3,500,753)	(4,130,311)
Net change in total pension liability	3,074,099	5,507,931
Total pension liability -- beginning	78,010,413	81,084,512
Total pension liability -- ending	\$ 81,084,512	\$ 86,592,443
 Plan fiduciary net position		
Contributions -- employer	\$ 1,209,153	\$ 932,731
Contributions -- employee	1,037,372	1,054,827
Net investment income	4,696,136	126,138
Benefit payments, including refund of employee contributions	(3,500,753)	(4,130,311)
Administrative expense	(49,034)	(76,833)
Other	(4,031)	(3,795)
Net change in plan fiduciary net position	3,388,843	(2,097,243)
Plan fiduciary net position -- beginning	82,098,824	85,487,667
Plan fiduciary net position -- ending	\$ 85,487,667	\$ 83,390,424
 Net pension liability (asset)	 \$ (4,403,155)	 \$ 3,202,019
 Plan fiduciary net position as a percentage of the total pension liability	 105.43%	 96.30%
 Covered employee payroll	 \$ 14,819,603	 \$ 15,068,964
 Net pension liability as a percentage of covered employee payroll	 (29.71%)	 21.25%

Note: The City adopted GASB 68 for FY15, and will build this schedule over the next 10 years. The amounts presented for each fiscal year were determined as of the December 31 year-end that occurred within the fiscal year.

CITY OF UNIVERSITY PARK, TEXAS

Texas Municipal Retirement System

Schedule of Contributions Last 10 years

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 1,209,153	\$ 932,731
Contributions in relation to the actuarially determined contribution	<u>1,209,153</u>	<u>932,731</u>
Contribution deficiency (excess)	-	-
Covered employee payroll	14,819,603	15,068,964
Contributions as a percentage of covered-employee payroll	<u>8.16%</u>	<u>6.19%</u>

Note: The City adopted GASB 68 for FY15, and will build this schedule over the next 10 years.

CITY OF UNIVERSITY PARK, TEXAS

Texas Municipal Retirement System

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year Smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

CITY OF UNIVERSITY PARK, TEXAS

University Park Firemen's Relief and Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios Last 10 years

	2015	2016
Total pension liability		
Service cost (Pension benefit)	\$ 500,790	\$ 524,967
Service cost (Administrative expenses)	41,323	38,831
Interest (on the Total Pension Liability)	1,595,786	1,645,714
Changes of benefit terms	-	-
Difference between expected and actual experience	-	(1,524,554)
Changes of assumptions	-	1,275,048
Benefit payments, including refunds of member contributions	(1,431,822)	(1,181,483)
Net change in total pension liability	706,077	778,523
Total pension liability -- beginning	20,141,790	20,847,867
Total pension liability -- ending	\$ 20,847,867	\$ 21,626,390
 Plan fiduciary net position		
Contributions -- employer	\$ 526,289	\$ 588,724
Contributions -- employee	477,809	436,340
Net investment income	479,579	(252,668)
Benefit payments, including refund of employee contributions	(1,431,822)	(1,181,483)
Administrative expense	(41,323)	(38,831)
Other	-	-
Net change in plan fiduciary net position	10,532	(447,918)
Plan fiduciary net position -- beginning	9,504,929	9,515,461
Plan fiduciary net position -- ending	\$ 9,515,461	\$ 9,067,543
 Net pension liability	\$ 11,332,406	\$ 12,558,847
 Plan fiduciary net position as a percentage of the total pension liability	45.64%	41.93%
 Covered employee payroll	\$ 3,427,043	\$ 3,356,465
 Net pension liability as a percentage of covered employee payroll	330.68%	374.17%

Note: The City adopted GASB 68 for FY15, and will build this schedule over the next 10 years. The amounts presented for each fiscal year were determined as of the December 31 year-end that occurred within the fiscal year.

CITY OF UNIVERSITY PARK, TEXAS

University Park Firemen's Relief and Retirement Fund

Schedule of Contributions Last 10 years

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 526,289	\$ 588,724
Contributions in relation to the actuarially determined contribution	<u>526,289</u>	<u>588,724</u>
Contribution deficiency (excess)	-	-
Covered employee payroll	3,427,043	3,356,465
Contributions as a percentage of covered-employee payroll	<u>15.36%</u>	<u>17.54%</u>

Note: The City adopted GASB 68 for FY15, and will build this schedule over the next 10 years.

CITY OF UNIVERSITY PARK, TEXAS

University Park Firemen's Relief and Retirement Fund

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal actuarial cost
Amortization method	Level percent of payroll, open period
Remaining amortization period	51.7 years
Asset valuation method	5-year smoothed market value with a 20% market value corridor
Inflation	3.00%
Investment rate of return	8.00%
Projected salary increases	4.0% to 11.28%, including inflation based on service at attained age
Cost-of-living adjustments	None
Retirement Age for vested terminated members	Experienced-based table of rates that are specific to the University Park Firemen's Relief and Retirement Fund
Mortality	Employee and healthy annuitant combined rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females

Other Information:

Notes There were no benefit changes during the year.

CITY OF UNIVERSITY PARK, TEXAS

University Park Firemen's Relief and Retirement Fund

Schedule of Investment Returns Last 10 years

	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	4.76%	(2.84%)

Note: In accordance with paragraph 50 of GASB Statement No. 67, this Schedule only includes information which has been measured in conformity with Statement No. 67. Disclosures for years in which information was not developed in accordance with GASB Statement No. 67 have not been included. The money-weighted rate of return expresses investment performance, net of investment expense, reflecting the timing of the contributions received and the benefits paid during the year. The City adopted GASB67 for FY15, and will build this schedule over the next 10 years.

CITY OF UNIVERSITY PARK, TEXAS

**Required Supplementary Information
Retiree Health Care Plan**

Schedule of Funding Progress (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2008	\$ -	\$ 537,462	\$ 537,462	0.0%	\$14,001,820	3.8%
12/31/2010	-	654,401	654,401	0.0%	16,288,708	4.0%
12/31/2012	-	570,311	570,311	0.0%	16,747,610	3.4%
12/31/2014	-	615,743	615,743	0.0%	18,246,646	3.4%

There were no actuarial valuations prior to June 30, 2008.

CITY OF UNIVERSITY PARK, TEXAS
Budgetary Comparison Schedule
General Fund

For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, October 1	\$ 28,152,324	\$ 28,152,324	\$ 28,152,324	\$ -
Resources (inflows)				
Property tax	17,788,086	17,788,086	17,527,721	(260,365)
Sales tax	4,060,000	4,060,000	4,245,822	185,822
Franchise fees	2,205,000	2,205,000	2,087,318	(117,682)
Permits and licenses	1,624,000	1,624,000	1,418,959	(205,041)
Fines	768,000	768,000	800,092	32,092
Charges for services	1,832,700	1,832,700	1,851,865	19,165
Other	831,000	831,000	1,363,697	532,697
Investment income	150,000	150,000	307,670	157,670
Amounts available for appropriation	<u>57,411,110</u>	<u>57,411,110</u>	<u>57,755,468</u>	<u>344,358</u>
Charges to appropriations (outflows)				
General Government	4,122,821	4,142,298	4,076,364	65,934
Public Safety	13,694,093	13,666,654	13,056,992	609,662
Streets	1,818,361	1,809,249	1,742,353	66,896
Parks	3,325,765	3,299,024	3,240,259	58,765
Public Works	3,079,027	2,954,896	2,785,712	169,184
Transfers	3,216,847	4,060,022	4,060,027	(5)
Total charges to appropriations	<u>29,256,914</u>	<u>29,932,143</u>	<u>28,961,707</u>	<u>970,436</u>
Budgetary fund balance, September 30	<u>\$ 28,154,196</u>	<u>\$ 27,478,967</u>	<u>\$ 28,793,761</u>	<u>\$ 1,314,794</u>

CITY OF UNIVERSITY PARK, TEXAS
Notes to Required Supplementary Information
September 30, 2016

Budgetary Information

The City uses the following process to legally adopt the General Fund annual budget as reflected in the financial statements:

1. Before September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain tax and ratepayer opinion. Public notice is given as required by State law.
3. Before October 1, the City Council legally enacts the budget through passage of an ordinance.

The City Manager is authorized to transfer budgeted amounts between departments (functions); however, any amendments that increase a fund's total expenditures must be approved by the City Council after appropriate public notice and citizen participation.

Management exercises control over budgeted expenditures by sub-function (i.e., department or division), as presented in the accompanying financial statements. Unused appropriations lapse at the end of each fiscal year.

Formal budgetary integration is employed as a planning device for the General Fund. The City adopts an annual operating budget that is prepared on a modified accrual basis consistent with generally accepted accounting principles in the United State of America applicable to local government.



OTHER SUPPLEMENTARY INFORMATION



COMBINING FINANCIAL STATEMENTS

Nonmajor Governmental Funds

Special revenue funds are used to account for specific revenue sources that are restricted or committed to expenditure for specified purposes.

University Park Civic Foundation – This fund is used to account for private donations and contributions to the City. Donations may be made for a specific project or specifically restricted for use in charitable, scientific, literary, educational, and public safety programs.

Court Security – This fund is used to account for the receipt and expenditure of the Municipal Court Building Security Fee that is charged to defendants in accordance with state law. Money in the fund may be used only to finance security personnel or to finance items which are used for the purpose of providing security services for buildings housing a municipal court.

Court Technology – This fund is used to account for the receipt and expenditure of the Municipal Court Technology Fee that is charged to defendants in accordance with state law. Money in the fund may be used only to finance the purchase of or to maintain technological enhancements for a municipal court.

Police Training and Education – This fund is used to account for the receipt and expenditure of monies received from various agencies specifically for police training and education purposes.

Police Forfeiture Fund – This fund is used to account for funds awarded by the court to the Police Department. The expenditure of these funds is legally restricted for use in police activities.

Fire Training and Education – This fund is used to account for the receipt and expenditure of monies received from various agencies specifically for fire personnel training and education purposes.

Library – This fund is used to account for the receipt and expenditure of monies donated from various sources for the City library.

Parks Projects and Programs – This fund is used to account for the receipt and expenditure of monies received from various City park projects and programs.

CITY OF UNIVERSITY PARK, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds

September 30, 2016

	Special Revenue Funds								Total
	University Park Civic Foundation	Court Security	Court Technology	Police Training and Education	Police Forfeiture	Fire Training and Education	Library	Parks Projects and Programs	
ASSETS									
Cash and cash equivalents	\$ 84,216	\$ -	\$ -	\$ -	\$ 7,631	\$ -	\$ -	\$ -	\$ 91,847
Accounts receivables	40,000	-	-	-	-	-	-	-	40,000
Due from other funds	250	82,982	28,419	25,011	-	6,796	14,903	5,889	164,250
TOTAL ASSETS	<u>124,466</u>	<u>82,982</u>	<u>28,419</u>	<u>25,011</u>	<u>7,631</u>	<u>6,796</u>	<u>14,903</u>	<u>5,889</u>	<u>296,097</u>
LIABILITIES									
Accounts payable	900	-	-	-	-	-	332	840	2,072
Total liabilities	900	-	-	-	-	-	332	840	2,072
FUND BALANCES									
Restricted to:									
General Government	39,865	-	-	-	-	-	14,571	-	54,436
Public Safety	-	82,982	28,419	25,011	7,631	6,796	-	-	150,839
Parks	83,701	-	-	-	-	-	-	5,049	88,750
Total fund balances	123,566	82,982	28,419	25,011	7,631	6,796	14,571	5,049	294,025
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 124,466</u>	<u>\$ 82,982</u>	<u>\$ 28,419</u>	<u>\$ 25,011</u>	<u>\$ 7,631</u>	<u>\$ 6,796</u>	<u>\$ 14,903</u>	<u>\$ 5,889</u>	<u>\$ 296,097</u>

CITY OF UNIVERSITY PARK, TEXAS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds

For the Year Ended September 30, 2016

	Special Revenue Funds								Total
	University Park Civic Foundation	Court Security	Court Technology	Police Training and Education	Police Forfeiture	Fire Training and Education	Library	Parks Projects and Programs	
REVENUES									
Investment income	\$ 75	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ 80
Fines	-	8,685	11,579	-	-	-	-	-	20,264
Donations	84,856	-	-	2,993	-	977	23,036	21,662	133,524
Other	-	-	-	-	133	-	-	-	133
Total revenues	84,931	8,685	11,579	2,993	138	977	23,036	21,662	154,001
EXPENDITURES									
Parks	2,183	-	-	-	-	-	-	28,654	30,837
Scholarships	36,000	-	-	-	-	-	-	-	36,000
General Government	900	-	-	-	-	-	18,134	-	19,034
Public Safety	-	-	-	2,223	-	1,079	-	-	3,302
Total expenditures	39,083	-	-	2,223	-	1,079	18,134	28,654	89,173
Excess (deficiency) of revenues over (under) expenditures	45,848	8,685	11,579	770	138	(102)	4,902	(6,992)	64,828
OTHER FINANCING SOURCES									
Transfers in	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-	-
Net change in fund balances	45,848	8,685	11,579	770	138	(102)	4,902	(6,992)	64,828
Fund balances - beginning	77,718	74,297	16,840	24,241	7,493	6,898	9,669	12,041	229,197
Fund balances - ending	<u>\$ 123,566</u>	<u>\$ 82,982</u>	<u>\$ 28,419</u>	<u>\$ 25,011</u>	<u>\$ 7,631</u>	<u>\$ 6,796</u>	<u>\$ 14,571</u>	<u>\$ 5,049</u>	<u>\$ 294,025</u>



COMBINING FINANCIAL STATEMENTS

Internal Service Funds

The Internal Service Funds account for the services provided by one department to other departments of the City on a cost reimbursement basis. The following is a description of the City's Internal Service Funds:

Equipment Services Fund – Accounts for the costs of materials, supplies and the acquisition and maintenance of specific equipment used exclusively by other departments of the City.

Comprehensive Self-Insurance Fund – Accounts for the costs associated with the general liability, property and casualty, medical and worker's compensation self-insurance program established by the City.

CITY OF UNIVERSITY PARK, TEXAS
Combining Statement of Net Position
Internal Service Funds

September 30, 2016

	Equipment Services	Comprehensive Self-Insurance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 330,304	\$ 2,205,363	\$ 2,535,667
Investments	-	2,000,434	2,000,434
Receivables	-	5,292	5,292
Due from other funds	3,356,624	5,861,631	9,218,255
Prepaid	1,762,889	-	1,762,889
Total current assets	5,449,817	10,072,720	15,522,537
Non-current assets:			
Capital assets			
Machinery and equipment	10,569,604	-	10,569,604
Accumulated depreciation	(5,782,552)	-	(5,782,552)
Total non-current assets	4,787,052	-	4,787,052
Total assets	10,236,869	10,072,720	20,309,589
DEFERRED OUTFLOW OF RESOURCES			
Pension contributions and Investment experience	336,116	-	336,116
LIABILITIES			
Current liabilities:			
Accounts payable	819	34,272	35,091
Accrued liabilities	6,517	281,603	288,120
Accrued compensated absences	42,926	-	42,926
Due to other funds	48,901	1,966,832	2,015,733
Total current liabilities	99,163	2,282,707	2,381,870
Non-current liabilities:			
Net pension liability - TMRS	156,980	-	156,980
Accrued compensated absences	53,607	-	53,607
Total non-current liabilities	210,587	-	210,587
Total liabilities	309,750	2,282,707	2,592,457
DEFERRED INFLOW OF RESOURCES			
Pension actual experience	(699)	-	(699)
NET POSITION			
Investment in capital assets	4,787,052	-	4,787,052
Unrestricted	5,476,882	7,790,013	13,266,895
Total net position	\$10,263,934	\$ 7,790,013	\$18,053,947

CITY OF UNIVERSITY PARK, TEXAS
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position
Internal Service Funds

For the Year Ended September 30, 2016

	<u>Equipment Services</u>	<u>Comprehensive Self-Insurance</u>	<u>Total</u>
Operating revenues			
Charges for service	\$ 1,744,015	\$ -	\$ 1,744,015
Premiums	-	3,954,359	3,954,359
Other income	-	193	193
	<u>1,744,015</u>	<u>3,954,552</u>	<u>5,698,567</u>
Operating expenses			
Claims paid and change in estimate	-	2,702,050	2,702,050
Personnel services	933,858	-	933,858
Administrative and fiscal services	-	827,660	827,660
Depreciation	767,686	-	767,686
Supplies and other	25,679	-	25,679
Contractual and other services	89,587	146,593	236,180
	<u>1,816,810</u>	<u>3,676,303</u>	<u>5,493,113</u>
Total operating expenses	<u>1,816,810</u>	<u>3,676,303</u>	<u>5,493,113</u>
Operating income (loss)	<u>(72,795)</u>	<u>278,249</u>	<u>205,454</u>
Nonoperating revenues			
Investment income	1,741	14,822	16,563
Loss on sale of capital assets	(46,623)	-	(46,623)
	<u>(117,677)</u>	<u>293,071</u>	<u>175,394</u>
Net income (loss)	<u>(117,677)</u>	<u>293,071</u>	<u>175,394</u>
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(117,677)</u>	<u>293,071</u>	<u>175,394</u>
Total net position - beginning	<u>10,381,611</u>	<u>7,496,942</u>	<u>17,878,553</u>
Total net position - ending	<u>\$ 10,263,934</u>	<u>\$ 7,790,013</u>	<u>\$ 18,053,947</u>

CITY OF UNIVERSITY PARK, TEXAS
Combining Statement of Cash Flows
Internal Service Funds

For the Year ended September 30, 2016

	<u>Equipment Services</u>	<u>Comprehensive Self-Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,744,015	\$ 3,954,260	\$ 5,698,275
Payments from other funds	1,547,253	3,358,508	4,905,761
Payments to suppliers	(1,912,328)	(3,730,124)	(5,642,452)
Payments to employees	(914,414)	-	(914,414)
Net cash provided by operating activities	<u>464,526</u>	<u>3,582,644</u>	<u>4,047,170</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(1,550,694)	-	(1,550,694)
Proceeds from sale of capital assets	511,168	-	511,168
Net cash used in capital and related financing activities	<u>(1,039,526)</u>	<u>-</u>	<u>(1,039,526)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	-	(2,000,434)	(2,000,434)
Proceeds from the sale and maturities of investment securities	-	-	-
Interest on investments	1,741	14,822	16,563
Net cash provided by (used in) investing activities	<u>1,741</u>	<u>(1,985,612)</u>	<u>(1,983,871)</u>
Net increase (decrease) in cash and cash equivalents	(573,259)	1,597,032	1,023,773
Cash and cash equivalents, beginning of year	903,563	608,331	1,511,894
Cash and cash equivalents, end of year	<u>\$ 330,304</u>	<u>\$ 2,205,363</u>	<u>\$ 2,535,667</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (72,795)	\$ 278,249	\$ 205,454
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	767,686	-	767,686
Decrease in due from other funds	1,560,010	3,382,179	4,942,189
Decrease in pension and deferred outflow	60,717	-	60,717
Increase in interest receivable	-	(292)	(292)
Increase in prepaid	(1,762,889)	-	(1,762,889)
Decrease in accrued liabilities	(75,446)	(53,821)	(129,267)
Decrease in due to other funds	(12,757)	(23,671)	(36,428)
Total adjustments	<u>537,321</u>	<u>3,304,395</u>	<u>3,841,716</u>
Net cash provided by operating activities	<u>\$ 464,526</u>	<u>\$ 3,582,644</u>	<u>\$ 4,047,170</u>
NON-CASH INVESTING ACTIVITIES			
Change in the fair value of investments	<u>\$ -</u>	<u>\$ 434</u>	<u>\$ 434</u>

STATISTICAL SECTION (UNAUDITED)

This part of the City of University Park'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>CONTENTS</u>	<u>Tables</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	1-4
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	5-8
Debt Capacity <i>These schedules present information to help the reader assess the City's current levels of outstanding debt (if any) and the City's ability to issue debt in the future.</i>	9-13
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	14-15
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	16-18
Sources: <i>Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB-34 in fiscal 2003; schedules presenting government-wide information include information beginning in that year.</i>	



CITY OF UNIVERSITY PARK, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Table 1

	2007	2008	2009	2010	2011	2012	2013	RESTATED 2014	2015	2016
Governmental activities:										
Investment in capital assets	\$ 45,450,240	\$ 50,496,272	\$ 56,768,201	\$ 59,672,952	\$ 60,538,038	\$ 62,312,988	\$ 65,190,228	\$ 66,403,103	\$ 66,443,113	\$ 68,817,286
Restricted	-	-	-	-	-	-	-	-	229,197	294,025
Unrestricted	<u>29,816,358</u>	<u>27,944,347</u>	<u>42,237,664</u>	<u>40,972,031</u>	<u>44,123,844</u>	<u>44,289,220</u>	<u>41,264,456</u>	<u>38,478,120</u>	<u>38,525,057</u>	<u>34,824,405</u>
Total governmental activities net position	<u>\$ 75,266,598</u>	<u>\$ 78,440,619</u>	<u>\$ 99,005,865</u>	<u>\$ 100,644,983</u>	<u>\$ 104,661,882</u>	<u>\$ 106,602,208</u>	<u>\$ 106,454,684</u>	<u>\$ 104,881,223</u>	<u>\$ 105,197,367</u>	<u>\$ 103,935,716</u>
Business type activities:										
Investment in capital assets	\$ 39,965,081	\$ 39,024,619	\$ 44,386,134	\$ 45,828,561	\$ 47,970,897	\$ 49,683,932	\$ 51,127,842	\$ 53,218,776	\$ 53,846,733	\$ 53,297,369
Unrestricted	<u>11,155,204</u>	<u>12,244,408</u>	<u>8,610,182</u>	<u>8,558,576</u>	<u>8,690,783</u>	<u>8,156,715</u>	<u>7,022,922</u>	<u>8,603,253</u>	<u>11,052,770</u>	<u>13,825,219</u>
Total business type activities net position	<u>\$ 51,120,285</u>	<u>\$ 51,269,027</u>	<u>\$ 52,996,316</u>	<u>\$ 54,387,137</u>	<u>\$ 56,661,680</u>	<u>\$ 57,840,647</u>	<u>\$ 58,150,764</u>	<u>\$ 61,822,029</u>	<u>\$ 64,899,503</u>	<u>\$ 67,122,588</u>
Primary government:										
Investment in capital assets	\$ 85,415,321	\$ 89,520,891	\$ 101,154,335	\$ 105,501,513	\$ 108,508,935	\$ 111,996,920	\$ 116,318,070	\$ 119,621,879	\$ 120,289,846	\$ 122,114,655
Restricted	-	-	-	-	-	-	-	-	229,197	294,025
Unrestricted	<u>40,971,562</u>	<u>40,188,755</u>	<u>50,847,846</u>	<u>49,530,607</u>	<u>52,814,627</u>	<u>52,445,935</u>	<u>48,287,378</u>	<u>47,081,373</u>	<u>49,577,827</u>	<u>48,649,624</u>
Total primary government net position	<u>\$ 126,386,883</u>	<u>\$ 129,709,646</u>	<u>\$ 152,002,181</u>	<u>\$ 155,032,120</u>	<u>\$ 161,323,562</u>	<u>\$ 164,442,855</u>	<u>\$ 164,605,448</u>	<u>\$ 166,703,252</u>	<u>\$ 170,096,870</u>	<u>\$ 171,058,304</u>

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB 68 in FY15. The unrestricted net position balances were restated for the effects of this statement in FY14 and FY15.

CITY OF UNIVERSITY PARK, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Table 2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General Government	\$ 3,876,176	\$ 4,239,047	\$ 4,357,936	\$ 4,616,440	\$ 3,405,642	\$ 4,643,566	\$ 5,168,456	\$ 5,303,529	\$ 6,237,596	\$ 6,236,918
Public Safety	10,009,425	11,048,919	11,305,806	11,681,307	12,173,113	12,198,719	12,914,938	12,870,794	13,866,937	14,562,251
Streets	1,828,603	2,029,372	1,779,140	1,872,143	1,755,084	1,829,907	1,862,581	1,961,153	2,153,362	2,022,909
Parks	2,692,352	2,902,051	2,959,412	3,276,568	3,330,332	3,418,159	3,609,761	3,549,975	3,701,838	3,867,474
Public Works	2,532,896	3,055,630	2,831,572	2,765,385	2,691,034	2,658,904	3,089,173	2,933,931	2,973,871	3,067,854
Total governmental activities expenses	<u>20,939,452</u>	<u>23,275,019</u>	<u>23,233,866</u>	<u>24,211,843</u>	<u>23,355,205</u>	<u>24,749,255</u>	<u>26,644,909</u>	<u>26,619,382</u>	<u>28,933,604</u>	<u>29,757,406</u>
Business type activities:										
Utilities	9,781,371	10,299,016	10,843,388	11,399,252	12,795,748	13,146,550	13,991,080	13,679,558	13,361,608	13,640,627
Sanitation	2,457,524	2,751,690	2,477,782	2,552,159	2,622,334	2,590,435	2,784,109	2,791,940	2,826,506	3,098,111
Stormwater	-	-	-	-	-	-	-	109,032	92,646	68,884
Total business type activities expenses	<u>12,238,895</u>	<u>13,050,706</u>	<u>13,321,170</u>	<u>13,951,411</u>	<u>15,418,082</u>	<u>15,736,985</u>	<u>16,775,189</u>	<u>16,580,530</u>	<u>16,280,760</u>	<u>16,807,622</u>
Total primary government expense	<u>\$ 33,178,347</u>	<u>\$ 36,325,725</u>	<u>\$ 36,555,036</u>	<u>\$ 38,163,254</u>	<u>\$ 38,773,287</u>	<u>\$ 40,486,240</u>	<u>\$ 43,420,098</u>	<u>\$ 43,199,912</u>	<u>\$ 45,214,364</u>	<u>\$ 46,565,028</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 25,403	\$ 25,735	\$ 25,550	\$ 27,965	\$ 36,492	\$ 29,132	\$ 48,342	\$ 58,247	\$ 64,946	\$ 65,914
Public Safety	1,517,174	1,545,336	2,158,211	2,146,698	1,972,793	2,284,805	2,258,352	2,358,022	2,086,722	2,259,477
Streets	-	-	-	-	-	-	-	-	-	-
Parks	231,289	234,697	268,311	360,347	364,402	348,478	353,380	321,664	312,541	319,968
Public Works	2,340,767	1,623,164	1,430,999	985,157	2,885,760	3,113,402	1,593,086	1,898,453	2,196,979	1,334,508
Total governmental activities program revenues	<u>4,114,633</u>	<u>3,428,932</u>	<u>3,883,071</u>	<u>3,520,167</u>	<u>5,259,447</u>	<u>5,775,817</u>	<u>4,253,160</u>	<u>4,636,386</u>	<u>4,661,188</u>	<u>3,979,867</u>
Business type activities:										
Charges for services:										
Utilities	9,864,564	10,828,233	11,790,145	12,115,224	14,384,367	13,655,917	13,911,816	14,936,298	14,606,621	14,605,166
Sanitation	2,423,859	2,647,770	2,760,877	2,800,004	2,953,344	2,828,621	2,743,414	2,716,376	2,692,834	2,860,758
Stormwater	-	-	-	-	-	-	-	465,816	435,563	433,302
Total business type activities program revenues	<u>12,288,423</u>	<u>13,476,003</u>	<u>14,551,022</u>	<u>14,915,228</u>	<u>17,337,711</u>	<u>16,484,538</u>	<u>16,655,230</u>	<u>18,118,490</u>	<u>17,735,018</u>	<u>17,899,226</u>
Total primary government program revenues	<u>\$ 16,403,056</u>	<u>\$ 16,904,935</u>	<u>\$ 18,434,093</u>	<u>\$ 18,435,395</u>	<u>\$ 22,597,158</u>	<u>\$ 22,260,355</u>	<u>\$ 20,908,390</u>	<u>\$ 22,754,876</u>	<u>\$ 22,396,206</u>	<u>\$ 21,879,093</u>
Net (Expense) Revenue										
Governmental activities	\$ (16,824,819)	\$ (19,846,087)	\$ (19,350,795)	\$ (20,691,676)	\$ (18,095,758)	\$ (18,973,438)	\$ (22,391,749)	\$ (21,982,996)	\$ (24,272,416)	\$ (25,777,539)
Business type activities	49,528	425,297	1,229,852	963,817	1,919,629	747,553	(119,959)	1,537,960	1,454,258	1,091,604
Total primary government net expense	<u>\$ (16,775,291)</u>	<u>\$ (19,420,790)</u>	<u>\$ (18,120,943)</u>	<u>\$ (19,727,859)</u>	<u>\$ (16,176,129)</u>	<u>\$ (18,225,885)</u>	<u>\$ (22,511,708)</u>	<u>\$ (20,445,036)</u>	<u>\$ (22,818,158)</u>	<u>\$ (24,685,935)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes:											
Ad valorem	\$ 13,837,528	\$ 14,724,370	\$ 15,399,326	\$ 15,918,098	\$ 15,928,388	\$ 15,484,579	\$ 15,444,115	\$ 16,160,020	\$ 16,971,682	\$ 17,530,625	
Sales tax	3,290,325	3,269,205	2,939,262	3,228,336	3,584,805	3,395,645	3,498,422	4,014,191	4,229,485	4,245,822	
Franchise Fees	2,075,069	2,071,490	2,136,595	2,049,354	2,207,303	2,094,494	1,989,121	2,122,312	2,228,552	2,087,318	
Investment earnings	2,218,786	1,455,605	414,462	369,718	208,533	188,888	98,286	172,591	287,428	347,503	
Other	120,804	91,966	1,333,295	1,065,968	502,174	90,026	1,429,414	4,373,130	2,343,344	1,368,791	
Contribution	2,821	1,026	34	34	34	32	-	-	-	-	
Donations	11,520	34,614	240,640	51,462	33,596	12,276	137,043	83,759	84,614	133,524	
Gain (loss) on sale of capital assets	62,098	724,008	17,804,603	-	-	-	-	-	-	(124,075)	
Transfers	(341,916)	647,824	(352,176)	(352,176)	(352,176)	(352,176)	(352,176)	(952,176)	(1,556,545)	(1,073,620)	
Total governmental activities	21,277,035	23,020,108	39,916,041	22,330,794	22,112,657	20,913,764	22,244,225	25,973,827	24,588,560	24,515,888	

Business type activities:

Investment earnings	425,616	239,132	61,253	1,792	2,738	3,241	1,974	448	2,230	25,671
Other	124,203	115,979	88,826	73,036	-	75,997	75,926	80,837	64,441	32,190
Gain (loss) on sale of capital assets	26,292	16,158	(4,818)	-	-	-	-	-	-	-
Transfers	341,916	(647,824)	352,176	352,176	352,176	352,176	352,176	952,176	1,556,545	1,073,620
Total business type activities	918,027	(276,555)	497,437	427,004	354,914	431,414	430,076	1,033,461	1,623,216	1,131,481

Total primary government

	<u>\$ 22,195,062</u>	<u>\$ 22,743,553</u>	<u>\$ 40,413,478</u>	<u>\$ 22,757,798</u>	<u>\$ 22,467,571</u>	<u>\$ 21,345,178</u>	<u>\$ 22,674,301</u>	<u>\$ 27,007,288</u>	<u>\$ 26,211,776</u>	<u>\$ 25,647,369</u>
--	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------

Change in Net Position

Governmental activities	\$ 4,452,216	\$ 3,174,021	\$ 20,565,246	\$ 1,639,118	\$ 4,016,899	\$ 1,940,326	\$ (147,524)	\$ 3,990,831	\$ 316,144	\$ (1,261,651)
Business type activities	967,555	148,742	1,727,289	1,390,821	2,274,543	1,178,967	310,117	2,571,421	3,077,474	2,223,085
Total primary government	\$ 5,419,771	\$ 3,322,763	\$ 22,292,535	\$ 3,029,939	\$ 6,291,442	\$ 3,119,293	\$ 162,593	\$ 6,562,252	\$ 3,393,618	\$ 961,434

Source: Comprehensive Annual Financial Report

**CITY OF UNIVERSITY PARK, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

Table 3

	2007	2008	2009	2010
General Fund				
Reserved	\$ 1,029,841	\$ 1,322,841	\$ 1,195,862	\$ 940,083
Unreserved	10,731,289	7,428,129	23,743,726	24,285,828
Total General Fund	<u>\$ 11,761,130</u>	<u>\$ 8,750,970</u>	<u>\$ 24,939,588</u>	<u>\$ 25,225,911</u>
All Other Governmental Funds				
Reserved	\$ 6,777,509	\$ 7,588,765	\$ 3,451,470	\$ 1,459,551
Unreserved, reported in:				
Capital Projects fund	5,011,524	4,619,939	5,931,904	7,971,336
Special revenue funds	53,741	76,919	132,990	52,888
Total all other governmental funds	<u>\$ 11,842,774</u>	<u>\$ 12,285,623</u>	<u>\$ 9,516,364</u>	<u>\$ 9,483,775</u>

Note: In fiscal year 2011, the City implemented GASB 54, which classifies fund balance as nonspendable, restricted, committed, assigned and unassigned. No previous years were restated.

	2011	2012	2013	2014	2015	2016
General Fund	\$ 447,942	\$ 502,835	\$ 518,976	\$ 557,109	\$ 576,174	\$ 622,861
Nonspendable						
Restricted	1,274,954	-	-	-	-	-
Committed	20,750,202	20,750,202	20,750,202	20,750,202	20,750,202	20,750,202
Assigned	711,397	644,732	503,441	455,547	306,923	290,639
Unassigned	5,126,786	6,194,370	5,234,423	5,560,558	6,519,025	7,130,059
Total General Fund	<u>\$ 28,311,281</u>	<u>\$ 28,092,139</u>	<u>\$ 27,007,042</u>	<u>\$ 27,323,416</u>	<u>\$ 28,152,324</u>	<u>\$ 28,793,761</u>
All Other Governmental Funds						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Spendable						
Restricted	-	-	-	-	229,197	294,025
Committed	-	-	-	-	-	-
Assigned	9,831,161	10,824,871	9,647,996	12,456,022	12,275,219	9,966,009
Unassigned	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 9,831,161</u>	<u>\$ 10,824,871</u>	<u>\$ 9,647,996</u>	<u>\$ 12,456,022</u>	<u>\$ 12,504,416</u>	<u>\$ 10,260,034</u>

Source: Comprehensive Annual Financial Report

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

Table 4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes:										
Ad Valorem	\$ 13,966,786	\$ 14,697,483	\$ 15,397,077	\$ 15,942,896	\$ 15,942,729	\$ 15,502,274	\$ 15,437,318	\$ 16,029,692	\$ 17,043,636	\$ 17,527,721
Sales	3,290,325	3,269,205	2,939,262	3,228,336	3,584,805	3,395,645	3,498,422	4,014,191	4,229,485	4,245,822
Franchise fees	2,075,069	2,071,490	2,136,595	2,049,354	2,207,303	2,094,494	1,989,121	2,122,312	2,228,552	2,087,318
Permits and licenses	2,818,039	2,062,834	1,572,127	1,071,690	2,973,785	3,192,446	1,673,681	1,985,049	2,309,390	1,418,959
Fines	1,025,511	1,074,478	524,952	529,704	460,329	769,308	758,962	839,055	633,083	820,356
Charges for services	-	-	1,740,278	1,546,781	1,468,322	1,434,766	1,465,817	1,785,939	1,738,025	1,851,865
Other	436,362	1,111,861	1,360,856	1,424,116	2,329,790	451,824	1,876,407	4,400,268	1,702,884	1,368,791
Investment income	1,889,314	1,123,434	414,462	369,718	208,533	188,888	98,286	172,591	287,428	347,503
Donations	11,520	34,614	240,640	51,462	33,596	12,276	137,043	83,759	84,614	133,524
Total revenues	25,512,926	25,445,399	26,326,249	26,214,057	29,209,192	27,041,921	26,935,057	31,432,856	30,257,097	29,801,859
Expenditures										
General Government	3,333,909	3,623,013	3,711,731	3,726,579	3,908,128	3,710,920	3,940,032	4,081,360	4,195,769	4,172,217
Public Safety	10,210,581	10,910,732	11,492,897	11,612,306	11,792,300	11,769,965	12,193,142	12,288,514	12,772,317	13,060,294
Streets	1,834,321	2,004,345	1,807,372	1,872,562	1,737,530	1,780,280	1,745,127	1,848,867	1,998,240	1,742,353
Parks	2,771,357	2,886,318	2,935,266	3,101,504	3,105,560	3,080,028	3,140,013	3,188,534	3,225,558	3,271,096
Public Works	2,489,824	2,950,749	2,811,921	2,684,192	2,611,421	2,528,517	2,812,070	2,779,473	2,847,099	2,785,712
Capital Outlay	12,445,710	6,285,377	7,875,116	4,611,004	2,269,321	3,045,468	5,014,469	3,169,532	2,784,267	5,299,512
Total expenditures	33,085,702	28,660,534	30,634,303	27,608,147	25,424,260	25,915,178	28,844,853	27,356,280	27,823,250	30,331,184
Excess of revenues over (under) expenditures	(7,572,776)	(3,215,135)	(4,308,054)	(1,394,090)	3,784,932	1,126,743	(1,909,796)	4,076,576	2,433,847	(529,325)
Other Financing Sources (Uses)										
Transfers in	7,424,661	6,488,020	4,990,191	4,680,020	2,680,020	4,108,561	3,053,014	5,975,020	2,774,428	2,986,407
Transfers out	(7,766,577)	(5,840,196)	(5,342,367)	(3,032,196)	(3,032,196)	(4,460,736)	(3,405,190)	(6,927,196)	(4,330,973)	(4,060,027)
Proceeds from the sale of real estate	-	-	18,079,589	-	-	-	-	-	-	-
Total other financing sources (uses)	(341,916)	647,824	17,727,413	1,647,824	(352,176)	(352,175)	(352,176)	(952,176)	(1,556,545)	(1,073,620)
Net change in fund balances	\$ (7,914,692)	\$ (2,567,311)	\$ 13,419,359	\$ 253,734	\$ 3,432,756	\$ 774,568	\$ (2,261,972)	\$ 3,124,400	\$ 877,302	\$ (1,602,945)

Source: Comprehensive Annual Financial Report

CITY OF UNIVERSITY PARK, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Table 5

Fiscal Year	Real Property		Business Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential	Commercial				
2007	5,598,626,050	723,856,170	57,858,950	1,576,073,433	4,804,267,737	0.2927
2008	6,494,649,520	951,392,770	64,453,300	2,065,659,046	5,444,836,544	0.2684
2009	7,222,753,610	1,328,001,550	69,328,260	2,813,471,585	5,806,611,835	0.2655
2010	7,266,425,510	1,390,034,530	71,886,140	2,742,338,498	5,986,007,682	0.2655
2011	6,863,828,520	1,405,826,170	70,896,650	2,633,438,386	5,707,112,954	0.2785
2012	6,654,905,050	1,424,711,540	69,909,780	2,581,437,846	5,568,088,524	0.2785
2013	6,644,042,790	1,525,744,050	71,281,470	2,653,643,498	5,587,424,812	0.2785
2014	6,996,977,160	1,666,485,480	75,369,540	2,839,055,026	5,899,777,154	0.2743
2015	7,573,817,110	1,806,314,070	81,981,600	3,113,142,452	6,348,970,328	0.2698
2016	8,184,648,580	1,835,964,380	86,214,430	3,275,569,950	6,831,257,440	0.2589

Note: Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value

Source: Dallas Central Appraisal District "Summary of the Certified Estimated Values Report."
Dallas County Tax Office "Property Tax Rates."

CITY OF UNIVERSITY PARK, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(per \$100 of assessed value)
Last Ten Fiscal Years
(Unaudited)

Table 6

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Highland Park Independent School District	Dallas County	Parkland Hospital District	Dallas County Community College District	Total
2007	0.2927	-	0.2927	1.3557	0.2189	0.2540	0.0810	2.2023
2008	0.2684	-	0.2684	1.0367	0.2328	0.2540	0.0804	1.8723
2009	0.2655	-	0.2655	1.0900	0.2330	0.2540	0.0894	1.9319
2010	0.2655	-	0.2655	1.1100	0.2333	0.2740	0.0949	1.9777
2011	0.2785	-	0.2785	1.1150	0.2531	0.2710	0.0992	2.0168
2012	0.2785	-	0.2785	1.1342	0.2531	0.2710	0.0997	2.0365
2013	0.2785	-	0.2785	1.1342	0.2530	0.2710	0.1194	2.0561
2014	0.2743	-	0.2743	1.1267	0.2531	0.2760	0.1247	2.0548
2015	0.2698	-	0.2698	1.1181	0.2531	0.2860	0.1248	2.0518
2016	0.2589	-	0.2589	1.1119	0.2531	0.2860	0.1237	2.0336

Note: All outstanding debt of the City was extinguished in fiscal 2002.

Source: Dallas Central Appraisal District "Ad Valorem Tax Rates for Dallas County".

**CITY OF UNIVERSITY PARK, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Ten Years Ago
(Unaudited)**

Table 7

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Caruth Preston Road	\$ 73,240,970	1	1.07%	\$ 59,908,350	1	1.25%
Gerald J. Ford	24,709,824	2	0.36%	9,456,720	10	0.20%
Peruna Holdings Corp.	22,550,000	3	0.33%	44,615,610	2	0.93%
Southern Methodist University	21,226,730	4	0.31%	21,749,548	3	0.45%
Intercity Investments Inc	20,275,720	5	0.30%	16,018,220	4	0.33%
Trevor D. Rees-Jones	13,986,830	6	0.20%			
Trevor D. Rees-Jones	13,587,096	7	0.20%			
Finney Mary Clare Life Estate	13,038,848	8	0.19%			
HG Residence Trust	12,895,224	9	0.19%			
CNL Retirement CRSI Park	12,600,000	10	0.18%	10,441,990	8	0.22%
Birmingham Wallace LP				11,317,370	7	0.24%
Rufus C. Porter				15,880,744	5	0.33%
Gage Homes				12,319,946	6	0.26%
John C. & Debbie Tolleson				10,003,876	9	0.21%
	<u>\$ 228,111,242</u>		<u>3.33%</u>	<u>\$ 211,712,374</u>		<u>4.42%</u>

Source: Dallas County Tax Office

CITY OF UNIVERSITY PARK, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Original Levy
2007	14,066,479	13,912,826	98.91%	73,892	13,986,718	99.43%
2008	14,614,559	14,474,167	99.04%	143,441	14,617,608	100.00%
2009	15,418,745	15,249,426	98.90%	79,576	15,329,002	99.42%
2010	15,893,856	15,739,996	99.03%	47,444	15,787,440	99.33%
2011	15,903,248	15,769,437	99.16%	38,806	15,808,243	99.40%
2012	15,507,883	15,384,088	99.20%	2,317	15,386,405	99.22%
2013	15,561,032	15,377,061	98.82%	10,868	15,387,929	98.89%
2014	16,187,443	15,956,992	98.58%	(3,586)	15,953,406	98.55%
2015	17,133,359	16,961,640	99.00%	(50,962)	16,910,678	98.70%
2016	17,692,489	17,525,897	99.06%	-	17,525,897	99.06%

Source: Dallas County Tax Office

CITY OF UNIVERSITY PARK, TEXAS
RATIO OF OUTSTANDING DEBT
Last Ten Fiscal Years
(Unaudited)

Table 9

<u>Fiscal Year</u>	<u>General Obligation Refunding Bonds</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-

Note: All outstanding debt of the City was extinguished in fiscal 2002.

CITY OF UNIVERSITY PARK, TEXAS
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

Table 10

<u>Fiscal Year</u>	<u>General Obligation Refunding Bonds</u>	<u>Less: Amount Available for Debt Service</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-

Note: All outstanding debt of the City was extinguished in fiscal 2002.

**CITY OF UNIVERSITY PARK, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2016
(Unaudited)**

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Highland Park Independent School District	\$ 282,375,000	56.19%	\$ 158,666,513
Dallas County	227,980,000	3.73%	8,503,654
Dallas County Community College District	294,050,000	3.47%	10,203,535
Dallas County Hospital District	718,480,000	3.62%	26,008,976
Dallas Independent School District	2,985,090,000	0.02%	<u>597,018</u>
Subtotal, overlapping debt			203,979,696
City of University Park direct debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 203,979,696</u>

Source: Hilltop Securities Inc.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of The City of University Park. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

For debt repaid with property taxes, 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.

**CITY OF UNIVERSITY PARK, TEXAS
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)**

Table 12

The City of University Park has no non-general obligation, long-term debt.

**CITY OF UNIVERSITY PARK, TEXAS
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)**

Table 13

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Tax Rate Limit	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
Current Tax Rate	\$ 0.2927	\$ 0.2684	\$ 0.2655	\$ 0.2655	\$ 0.2785	\$ 0.2785	\$ 0.2785	\$ 0.2743	\$ 0.2698	\$ 0.2589
Available Tax Rate	<u>\$ 2.2073</u>	<u>\$ 2.2316</u>	<u>\$ 2.2345</u>	<u>\$ 2.2345</u>	<u>\$ 2.2215</u>	<u>\$ 2.2215</u>	<u>\$ 2.2215</u>	<u>\$ 2.2257</u>	<u>\$ 2.2302</u>	<u>\$ 2.2411</u>

Note: The City Charter of The City of University Park does not provide for a debt limit. Under provisions of Texas state law, the maximum tax rate is limited to \$2.5 per \$100 assessed valuation.

Source: Dallas Central Appraisal District "Summary of the Certified Estimated Values Report."
Dallas County Tax Office "Property Tax Rates."

CITY OF UNIVERSITY PARK, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Table 14

Year	Estimated Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	23,324	1,527,395	65,486	31.2	6,300	4.1%
2008	23,324	1,534,206	65,778	31.2	6,250	5.0%
2009	23,324	1,541,110	66,074	31.2	6,400	7.0%
2010	23,068	1,539,997	66,759	27.8	6,448	7.1%
2011	23,068	1,539,997	66,759	27.8	6,448	7.0%
2012	23,040	1,461,059	63,414	29.7	6,757	5.6%
2013	22,920	1,607,013	70,114	29.7	6,848	5.4%
2014	22,860	1,602,806	70,114	29.7	6,804	3.9%
2015	22,840	1,784,672	78,138	29.8	6,804	3.3%
2016	22,720	1,776,772	78,203	29.8	7,037	3.3%

Source: Estimated population obtained from the North Central Texas Council of Governments, 2016 Population Estimates Report.
Per capita personal income obtained from the North Central Texas Council of Governments.
Current and updated median age via city-data.com.
Current and updated school enrollment via neighborhoodscout.com.
Current and updated unemployment rate via homefacts.com.

**CITY OF UNIVERSITY PARK, TEXAS
PRINCIPAL EMPLOYERS
Current Year
(Unaudited)**

Table 15

UNIVERSITY PARK					
Employer	Rank	Employees	Percentage of Total City Employment		
Southern Methodist University	1	2,500	11%		
Highland Park ISD	2	800	4%		
Martini Hospitality	3	500	2%		
City of University Park	4	240	1%		

DALLAS COUNTY			COLLIN COUNTY		
Employer	Rank	Employees	Employer	Rank	Employees
UT Southwestern Medical Center	1	24,954	HP Enterprise Services	1	10,000
Baylor Health Care System	2	11,042	Bank of America	2	9,220
AT&T	3	8,829	State Farm	3	8,700
City of Dallas	4	8,073	JP Morgan Chase & Co.	4	6,000
Verizon	5	7,596	Capital One	5	5,098
Parkland Health & Hospital	6	6,900	Medical Center	6	4,155
Dallas County	7	6,626	Liberty Mutual Insurance	7	4,000
Wal-Mart	8	6,393	Toyota	8	4,000
Bank of America	9	6,318	JC Penney	9	3,800
UPS	10	6,232	Raytheon	10	3,700

Note: The City of University Park is primarily residential in nature, with a highly mobile workforce. Nestled between the north/south routes of the Dallas North Tollway to the west, and North Central Expressway to the east, the majority of commuters are likely employed in either Dallas or Collin County. Therefore, the major employers of those areas are presented along with the top 4 employers within the City limits. No comparative prior period information is available. Employers information was found in destinationdfw.com and North Central Texas Council of Governments sites/reports, and therefore is not intended as an accurate portrayal of actual City employment.

Source: North Central Texas Council of Governments

**CITY OF UNIVERSITY PARK, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
 BY FUNCTION/PROGRAM
 Last Ten Fiscal Years
 (Unaudited)**

Table 16

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Administrative	5	5	5	5	5	5	5	5	5	6
Finance	8	8	7	7	7	6	5	6	6	6
Human Resources	2	2	2	2	2	2	2	2	2	2
Information Services	4	4	4	5	5	5	5	5	5	5
Library							4	4	4	4
Facility Maintenance	4	4	3	3	3	2	2	2	2	2
Public Safety										
Police										
Officers	39	39	39	39	37	39	35	39	39	43
Civilians	11	11	9	11	12	10	13	14	11	10
Fire										
Firefighters and officers	37	36	34	35	35	34	34	35	35	33
Civilians	1	1	1	1	1	1	1	1	1	1
Municipal Court	2	2	2	2	2	2	2	2	2	2
Parks	25	25	24	24	24	22	22	22	22	22
Public Works										
Community Development	8	8	9	9	9	10	11	11	9	10
Engineering	7	7	6	6	6	6	5	5	5	4
Traffic	7	7	7	7	6	7	7	7	7	6
Streets	17	17	16	16	16	16	16	17	16	16
Utilities	31	31	32	32	31	28	32	31	31	31
Sanitation	26	27	26	26	25	26	27	27	27	28
Equipment Services	10	10	10	10	10	10	10	10	10	9
Capital Projects	0	1	1	1	1	1	0	0	0	0
Total	244	245	237	241	237	232	238	245	239	240

Source: City Human Resource Department.

CITY OF UNIVERSITY PARK, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

Table 17

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety										
Police										
Parking tickets	5,863	5,783	5,481	4,927	5,277	8,426	7,333	6,886	2,873	6,386
Traffic violations	3,084	5,914	6,859	3,808	5,133	5,169	4,050	5,838	5,774	3,386
Accident calls	517	497	353	340	217	210	198	188	535	572
Total calls for service	17,616	17,336	16,907	19,946	25,835	25,756	24,162	24,636	27,767	30,199
Fire										
Number of fire runs	1,286	1,333	1,250	1,340	1,185	1,227	1,437	1,485	1,547	1,455
Number of EMS runs	1,063	1,251	1,120	1,156	1,113	1,012	1,100	1,073	1,033	1,038
Inspections	337	478	528	685	725	791	819	1,040	874	856
Parks										
Pool passes issued	2,758	2,755	2,635	3,480	3,422	3,186	3,161	3,036	2,821	2,645
Public Works										
Building permits issued	3,117	2,634	2,078	2,203	2,597	2,792	3,036	3,257	3,040	2,880
Work orders completed	8,996	9,911	9,406	7,576	7,758	8,203	7,436	6,970	7,538	6,824
Sanitation										
Waste hauled (tons)	15,035	14,012	15,508	17,219	15,022	15,295	15,052	14,487	15,139	12,806
Recycled materials (tons)	1,313	4,190	2,393	2,734	2,854	2,961	2,886	3,116	3,298	3,614
Green Waste	2,383	2,560	2,305	4,365	2,731	2,936	2,647	2,212	2,428	1,652
Utilities										
Number of consumers	8,574	8,624	8,732	8,764	8,790	8,747	8,813	8,848	8,797	8,830
Average daily consumption (ten thousands of gallons)	3,835	4,234	4,511	4,159	5,797	4,844	4,403	4,095	3,931	3,850

Sources: Various City Departments.

**CITY OF UNIVERSITY PARK, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)**

Table 18

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	18	20	13	12	12	12	12	13	13
Motorcycle units	0	0	1	1	0	0	0	0	0	0
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Trucks	3	3	3	3	4	4	4	3	3	2
MICU	1	1	2	2	2	2	2	2	2	2
Parks										
Parks (acres)	59	60	60	60	60	60	60	60	60	60
Parks (number of)	8	8	8	8	9	10	10	11	11	11
Playgrounds	8	9	9	9	8	8	8	9	9	9
Swimming Pools	1	1	1	2	2	2	2	2	2	2
Tennis Courts	6	12	12	12	12	12	12	12	12	12
Water										
Water mains (miles)	89.41	89.41	90.01	90.01	89	89	89	88.8	89	89.04
Fire hydrants	474	471	476	472	472	469	470	473	473	473
Streets										
Streets (miles)	74.6	74.6	74.6	74.6	74.6	74.6	74.6	74.6	74.6	74.6
Sewer										
Sanitary sewer lines (miles)	63	63	62.8	62.8	62.8	62.8	62.9	63.68	63.68	63.8
Storm sewer lines (miles)	26	26	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9

Source: Various City Departments.

